



# Plan Adoption Agreement Guide for Plan Sponsors



Thank you for using the Vestwell Platform. This guide (the “Guide”) contains helpful explanations of various plan provisions you are selecting by executing the Plan Adoption Agreement. The Guide is organized to mirror the sections and primary provisions throughout the Plan Adoption Agreement; you may consider reviewing the Guide alongside the Plan Adoption Agreement section by section, or simply use and maintain it in your plan records as a reference for provisions you would like to better understand. It is important to note that the Plan Adoption Agreement and its associated Basic Plan Document (collectively referred to as the “PAA”) are legally enforceable documents, and in the event that any inconsistencies arise from interpretations between this Guide and the PAA, the PAA shall govern.

**As an authorized representative of the Plan Sponsor, it is your responsibility to review and approve every plan feature. Due to legal and regulatory requirements, it may not be possible to make modifications to the plan until at least the first of the following plan year after you execute the PAA.** We use the PAA to conduct annual compliance testing, prepare the plan's Annual Return (the Form 5500) and related filings, and administer your plan throughout the year. If your plan is required to undergo an annual audit, the PAA will be a critical part of that process. Given the importance of the PAA, therefore, you may wish to review it with your tax or legal advisor; please review thoroughly to ensure it is accurate and reflects your intent.

Additionally, as explained throughout this Guide, certain plan features, if elected, require you to undertake additional responsibilities due to the complexity of administering such features. By signing the PAA, you agree to perform those additional responsibilities and those obligations become a binding part of your Vestwell Plan Services Agreement.

Please contact us if anything in the PAA or this Guide is unclear. **If you are satisfied that the PAA reflects your intended terms, please sign and date each applicable document.** Vestwell requires an executed copy of the PAA and all related amendment(s) and policies to establish or update your plan on our platform.



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## Employer Information

Please review this section carefully, as it reflects the basic information about your company, the plan sponsor. For instance, the name of the adopting employer should be the exact name and correct spelling of your legal entity. Any changes to this section after the plan is implemented may require an amendment, which we can prepare for you at an additional charge as set forth in your fee schedule.

Please note:

- **Plan Sponsor Employer Identification Number:** If your business does not already have one, you must complete and file an IRS Form SS-4 to obtain one. The IRS will not accept a social security number as an EIN.
- **Fiscal Year End:** Please confirm this aligns to your company tax year. Note that Vestwell is unable to review deductibility of employer contributions when the fiscal year does not align to the plan year.
- **Controlled Group and Affiliated Service Group:** The IRS provides specific definitions when two or more entities must be considered as a single employer for retirement plan purposes. These definitions typically, but not always, depend on the degree of common ownership between those organizations. Your accountant, tax advisor, or ERISA counsel, should be consulted to advise if your company must be considered related to any other entity under Internal Revenue Code section(s) 414(m), 414(b), 414(c), or 414(o). As stated in your Vestwell Plan Services Agreement, you must disclose any related company(ies) considered members of a Controlled Group and Affiliated Service Group to us in writing, since there may be an impact on the design, compliance testing, or other activities for your plan.



# Plan Information

## Section A. General Information

### Plan Name / Effective Date

This section covers the basic information about your plan. Generally, Vestwell does not support plan years not aligned to a calendar year end, nor short plan year administration. If you require a different plan year end or short year, Vestwell may require that you engage a Third Party Administrator (“TPA”)<sup>1</sup>.

- **Effective Date:**

New plan: A new plan will indicate January 1 of the first year the plan is in effect. Special Effective Dates may be used in the Plan Features section below to clarify when employee contributions and/or employer contributions are expected to start; however, the full plan year will be in effect to avoid any reduction in plan limits for the year.

Converting plan: A plan being restated due to a change in providers or to accommodate changes required by law will reflect the original date the plan was in place, as well as the Effective Date of this updated document. The restatement date typically reflects the date of first expected assets on the Vestwell platform, the first of a plan year, or an otherwise agreed upon date.

Spin-off / successor plan: A new plan created to accept merger or spin-off of assets from another plan may reflect January 1 of the year started, or a later date, depending on the situation. Note that a later date may result in pro-rated limitations in considered compensation and contributions for the year. There may also require coordination of limits with the prior plan(s).

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<sup>1</sup> For any instance when your plan is required to work with a TPA, Vestwell's services will be transferred to a Vestwell Unbundled Service Offering in which Vestwell provides certain recordkeeping services and will no longer serve as the Plan Administrator. Your Vestwell Plan Services Agreement will be amended accordingly.



- **Limitation Year:** The twelve month period in which all contributions for the annual additions are calculated. If you sponsor other retirement plans, the Limitation Year must be the same for all of them. For ease of administration, it should typically follow the plan year.
- **Plan Year:** Vestwell's bundled services only support Plan Years ending December 31. If your company is undergoing a corporate transaction, e.g., a merger, acquisition, or spin-off, or are transitioning from a Multiple Employer Plan, Vestwell may require that you engage a TPA. Additionally, a corporate transaction such as a merger may result in your plan having a short plan year, in which case we may need to delay onboarding of your plan to the Vestwell platform or we may require you to work with a TPA.

## Plan Features

- **Elective Deferrals:** Vestwell by default supports pre-tax and Roth contributions from participants, made via payroll deduction. These will be reflected on an employee's Form W-2 in Box 12 with deduction codes D and AA, respectively. Vestwell does not offer additional "Voluntary" (after-tax) contributions at this time. More information can be found in Section C.
- **Employer Matching Contributions:** If elected as an option in the PAA, employer match contributions may be made based on a formula that the employer determines, rewarding employees that save for their retirement through pre-tax and Roth contributions from payroll. These matching contributions are typically discretionary year-to-year, and the company may decide to utilize and make a contribution as the match one year and not the next. More information can be found in Section D.
- **Nonelective Contributions:** If elected as an option in the PAA, employer non-elective contributions typically may be made on a discretionary basis each year. This contribution is not dependent on how much an employee saves, but instead is a contribution meant to reward employees for contributing to the success of the company. No longer required to be profit-based, these contributions are still typically





called profit sharing contributions; more information can be found in Section D. .

- Safe Harbor Contributions: If elected in the PAA, the plan is intended to meet fixed contribution requirements in order to bypass certain non-discrimination tests. See Section C of the PAA for specific terms of the fixed contributions, including the effective date of these provisions.
- Plan Features Effective Dates: This section is typically used with new plans to clarify the starting dates for elective deferrals (when deductions will start in payroll), and related matching contributions. This section may also be used when a new feature is introduced, or when a feature is removed, for clarification in operations.

## Statutory and Plan Compensation

This is one of the most important sections of the PAA. Pay special attention to the definition of compensation described in the PAA because it affects the calculation of any employer contributions and it is the definition used for testing purposes. **For all of these reasons, you must ensure that your payroll provider is set up to administer payroll using a definition of compensation for deductions, reporting, and employer contributions, as applicable, that is consistent with the defined compensation in the PAA.**

Vestwell's supported definition of compensation is gross taxable wages as reported on an employee's Form W2, adding back deferrals (e.g., pre-tax 401(k), Section 125 / Cafeteria plan deductions)<sup>2</sup>. Compensation generally includes the pay a participant received from the employer for personal services for the year, including wages and salaries, fees for professional services, and other amounts received (cash or non-cash) for personal services actually rendered by an employee, including, but not limited to commissions and tips, fringe benefits, and bonuses<sup>3</sup>.

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<sup>2</sup> Owner employees with income not reported on a Form W2 may use the definition of Earned Income located in the Basic Plan Document; this requires personal services to the company which are considered a material income-producing factor.

<sup>3</sup> <https://www.irs.gov/retirement-plans/401k-plan-fix-it-guide-you-did-not-use-the-plans-definition-of-compensation-correctly-for-all-deferrals-and-allocations>



- Pre-entry compensation (included in Vestwell's definition of compensation): compensation paid in the same plan year a participant enters the plan, but prior to the participant's entry date. **Vestwell does not exclude compensation prior to entry; true-ups may become required for certain contributions based on plan year compensation if an employee becomes eligible for the plan mid-year (including the first year a plan is implemented).** See Sections C and D for more details.
  
- Deemed 125 compensation (excluded from Vestwell's definition of compensation): amounts not available to a participant as cash in lieu of group health coverage because the participant is unable to certify that he or she has other health coverage. An amount will be treated as an amount under Internal Revenue Code section 125 only if the employer does not request or collect information regarding the participant's other health coverage as part of the enrollment process for the health plan. Vestwell by default does not include deemed Code section 125 compensation for calculating contributions and non-discrimination testing.
  
- Post-severance compensation (included in Vestwell's definition of compensation if criteria below are satisfied): amounts paid by the later of:
  - a. 2 ½ months after an Employee's severance from employment with the Employer;
  - or
  - b. The end of the applicable Limitation Year/Plan Year that includes the date of severance from employment with the Employer

if those amounts would have been included in the definition of compensation if they were paid prior to the participant's severance from employment with the employer. However, the payment must be for (a) unused accrued bona fide sick, vacation, or other leave, but only if the participant would have been able to use the leave if the employee had continued in employment; or (b) received by a participant pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the participant at the same time if the participant had continued in employment with the



employer and only to the extent that the payment is includible in the Participant's gross income. This does not include pure severance pay, amounts paid solely due to the termination of employment.

For example:

Sam terminates employment on August 18. His final paycheck(s) for compensation earned during the course of employment, including unpaid leave/sick pay, are eligible for the plan through December 31.

Jordan terminates employment on October 31. His final paycheck(s) are eligible through January 15 of the following year, since 2 ½ months following his date of termination is later than the end of the limitation (plan) year.

- Post year-end compensation (excluded from Vestwell's definition of compensation): if elected, amounts earned during a year but paid during the first few weeks of the next year simply due to payroll timing would be included for the year in which they were earned. This election is often difficult to administer since it does not align to W2 and other payroll reporting.

Further modifications to compensation may require special setup in payroll, and may also require specialized testing at year-end. If you require a specific set of exclusions, Vestwell may require that you engage a Third Party Administrator (Vestwell's unbundled services).

## Definitions

- Highly Compensated Employee ("HCE"): The basis for most non-discrimination tests required for 401(k) plans, the definition of HCE includes owner-employees with over 5% ownership in the current or prior plan year, and employees earnings over a specified compensation level (\$130,000 if the preceding year is 2020 or 2021; adjusted annually by the IRS)<sup>4</sup>. Vestwell uses this standard definition of HCE; **however, if you require the the definition of HCE to be determined using the Top Paid Group election due to the same definition being used for your other benefit plans (generally, health and welfare**

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<sup>4</sup> <https://www.irs.gov/retirement-plans/plan-participant-employee/definitions>



**plans must align the definition of HCE with their retirement benefit plans), it is your responsibility to notify Vestwell.** Vestwell may require that you engage a Third Party Administrator (Vestwell's unbundled services).

- Disability: Certain plan waivers may be applied based on a participant becoming disabled while employed by the company and certain distributions may become available. The PAA specifies the conditions that a participant must meet to be considered disabled. Vestwell uses a standard definition of disability using Section 22(e) of the Internal Revenue Code or Delaware law and, to the extent they differ, we will use the definition that is more favorable to the participant. This is a protected benefit which cannot be made less generous to the participant.

## Section B. Eligibility

Eligibility is the set of rules, usually a combination of age and service with your company, that determines which employees can participate in the plan, when they can enroll, and who is excluded. The more complex you make your plan's eligibility rules, the more effort that will be required on your part to administer your plan properly. Eligibility management can be time consuming and mistakes can be costly to correct. For instance, if you fail to timely inform us of a new employee in the manner and method we require and that employee is not provided with an opportunity to participate in the plan, you may need to make a significant additional contribution to the plan to make up for the participants' missed opportunities. For all of these reasons, we highly recommend keeping your eligibility rules simple and reporting all employees on payroll files each and every pay period.

We make available dynamic reporting on the Sponsor portal which provides the eligibility status of all employees reported to Vestwell. This report tracks when your employees were hired, whether age and/or service requirements are met, and when each becomes eligible to join the plan. Vestwell sends required notices to employees approaching their entry date based on such data points. **It is your responsibility to check this report regularly. If you do not notify us of any potential errors, we will assume that the information in those reports is correct.**



## Exclusions

Generally, retirement benefits must be offered to all common-law<sup>5</sup> employees who meet the plan's eligibility requirements. Unlike for health and welfare plans,<sup>6</sup> there is no exclusion for employees working less than 30 hours per week or 130 hours per month; considering their age and service requirements (next section) becomes important if you have part-time employees to whom you prefer not to offer retirement plan benefits.

Vestwell excludes three classifications by default. We assume unless directed otherwise that payroll files submitted by you or your payroll company will not include the following:

- Union employees: included in a unit of Employees covered by a collective bargaining agreement, if retirement benefits were the subject of good faith bargaining, and if the collective bargaining agreement does not provide for participation in this Plan. If your company has unionized employees, we recommend that you obtain advice from counsel regarding the applicability and impact of any collective bargaining agreement on your plan; your attorney should review the PAA.
- NonResident Alien: a non-citizen who received no earned income (within the meaning of Code section 911(d)(2)) which constitutes income from services performed within the United States (within the meaning of Code section 861(a)(3)). Note: *this exclusion means that any nonresident non-citizen, or resident non-citizen, may be eligible for the plan if receiving US-based income. Vestwell requires a SSN and US address to process retirement plan distributions<sup>7</sup>, which may impact your ability to offer the plan to certain employees or create the need to explore different options.*
- Leased employees: a non-employee who, pursuant to an agreement between the Employer and any other person ("leasing organization"), has performed services for the Employer (or for the Employer and related persons determined in accordance with Code section 414(n)(6)) on a substantially full time basis for a period of at least one year; if

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<sup>5</sup> <https://www.irs.gov/businesses/small-businesses-self-employed/independent-contractor-self-employed-or-employee>

<sup>6</sup> <https://www.shrm.org/resourcesandtools/tools-and-samples/hr-qa/pages/parttimebenefits.aspx>

<sup>7</sup> <https://www.irs.gov/retirement-plans/plan-distributions-to-foreign-persons-require-withholding>



you typically use the service of a leasing organization for long term contracts, we recommend that you obtain advice from counsel regarding the applicability and impact of any leasing terms on your plan; your attorney should review the PAA.

If you intend to exclude any other classifications of employees from the plan, you will be responsible for managing additional operational and testing-related complexities, and Vestwell may require that you engage a Third Party Administrator (Vestwell's unbundled services). Classification exclusions may also make us unable to integrate with your payroll system for direct processing of payroll information, which means you may need to upload your payroll files to our platform manually. **It is your responsibility to make sure that those individuals are not included in any of your payroll files provided to us and you must not upload any data concerning those individuals to your portal.**

## Eligibility Service Rules

### Other Employer Service

This section is intended to recognize employment history with a non-related company for eligibility purposes. This often arises with an asset acquisition, for which the new employer wants to recognize service for a group of newly hired employees from the company from which they acquired business assets. Note that employment history from related or predecessor employers must be recognized (naming them here is not mandatory but may be helpful). If utilizing this provision, the same must be applied for vesting purposes. You will need to provide an original date of hire with the recognized entity, and hours history if your plan uses hours-based service for eligibility and/or vesting.

### Break in Service

An employee experiences a Break in Service with under 500 hours of service in a plan year (for a plan that uses hours-based service) or a 12 month period of severance (for plans that use elapsed time for service). Depending on a number of factors, a Break in Service may impact contribution requirements and recognition of service upon rehire. Vestwell does not support the Rule of Parity based on the level of history required to administer this exclusion (which tends to



have rare impact); nor do we support the one-year holdout (which cannot be applied for employee 401(k) contributions). In short, consider that all employment history must be recognized and always supply us with an original/first date of employment for all common-law employees. This does not count service provided as an independent contractor..

### Special Participation Date

If you would like employees who are active with your company to become immediately eligible to participate in the plan on a specific date (the same date or a later one), this provision would define that special timeline. This most often is applied for new plans where the employer wants to allow all current employees to start immediately but apply eligibility provisions on a go-forward basis.

### Eligibility for Plan Participation

For eligible classes of employees, you may set certain conditions they must satisfy in order to participate in the plan; upon meeting those conditions, the employee enters the plan on specified entry dates. The maximum statutory requirements you may apply are a minimum age of age 21, and the lesser of (a) 1 Year of Service (1,000 hours in a 12 month period); or (b) 3 consecutive years with at least 500 hours of service<sup>8</sup>. Entry dates are typically monthly, quarterly, or semi-annually (Jan 1 and Jul 1).

When working with Vestwell in a bundled capacity, the same eligibility rules will apply to all employee classifications as well as all contributions types; meaning, employees eligible to contribute to the 401(k) will also be eligible for matching and profit sharing contributions, if applicable. Note that annual allocation requirements may be used to further limit access to such contributions; see Section D.

If you require varying eligibility by employee classification or by contribution type(s), Vestwell may require that you engage a Third Party Administrator (Vestwell's unbundled services). Note that this will also require specific monitoring of eligibility not provided by our platform, so we

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<sup>8</sup> Beginning in 2021; this newer 'long-term part-time' 3 year requirement was brought about by the SECURE Act of 2019.



recommend careful monitoring of payroll setup and/or contributing sources with delayed entry only after year-end review with your TPA.

### Age Requirement for Plan Participation

This is the minimum age for an employee to become eligible to join the plan. The maximum selectable option is (by statute) age 21; employers tend to choose between age 18 and 21, though it is not mandatory to have any age requirement. This may be one factor to consider if you're looking to exclude certain part-time employees, e.g., college interns.

### Service Requirement for Plan Participation

Below are standard service options supported by Vestwell's bundled offering:

- No service requirement - assuming minimum age is met, employee will enter on the next first entry date after their hire date.
- Elapsed time: select 1, 3, 6, or 12 Months - service is recognized as the passage of time; if an employee is still employed at the end of the noted period, or if rehired within 12 months of termination, the service requirement is considered met.
- Hours-based: the service requirements described below are considered met once both the length of time and hours specified in that period are met. Service is not considered completed as soon as the hours requirement is met, but only at the end of the specified period:
  - 1 Year of Service - 1,000 hours by their first anniversary of hire; if not met, the employee can join the plan after working 1,000 hours in any plan year (shifts away from anniversary date)
  - Select Hours Required within Number of Months - employer can specify any range of hours up to 1,000 within a range of consecutive months, e.g., 500 hours in 3 months; any employee who does not meet such requirements can meet the fallback provisions of 1 Year of Service (1,000 hours in their first year, or any plan year after). This is called reverting to the failsafe after the initial elected period.





**If electing an hours-based method, you must confirm that your payroll provider tracks hours and is able to provide them as part of your payroll data every pay cycle.**

### Hours Equivalency

Note that for salaried employees for whom hours are not tracked, the Department of Labor allows for an equivalency method to be selected. Under the heading “Eligibility Service Computation Rules,” Vestwell selects from the following options if you have elected hours-based eligibility requirements:

- 45 Hours of Service for each week or partial week - if your primary pay period is weekly or biweekly;
- 95 Hours of Service for each semi-monthly payroll period or partial semi-monthly payroll period
- 190 Hours of Service for each month or partial month for monthly pay cycles

You must work with your payroll provider to ensure the hours uploaded each pay cycle reflect actual tracked hours or the appropriate DOL approved equivalencies. Note that in the absence of hours submitted with payroll, Vestwell may default to 190 hours per month of employment when considering eligibility and/or vesting.

### Entry Dates

Once employees meet the age and service requirements selected, they must wait until the next entry date in order to join the plan. Similar to age and service requirements, the timing of entry is highly dependent on your goals for your employees - allowing employees to join quickly can engage them in saving from their paycheck sooner; while lengthening the time between entry dates is less burdensome in higher turnover environments.

Standard options include:

- First of the month on/after meeting age and service (e.g., January 1, February 1, March 1...)
- First of the calendar quarter on/after meeting age and service (January 1, April 1, July 1, October 1)



- First of January and July on/after meeting age and service

Note that each of the above are “on/after” meeting the requirements. The document describes these dates as “coincident with or next following the date the eligibility requirements are met.” For example, for a plan with a one year of service requirement and January/July entry dates:

- Sam starts work July 3, 2020; having worked over 1,000 hours July 3 2020 through July 2 2021, Sam enters the plan on January 1, 2022 (the first entry date on or next following July 2).
- Van is hired a day sooner; Van also works 1,000 hours by his anniversary (July 2, 2020 through July 1, 2021), but enters the plan July 1 2021 since this day coincides with the completion of one year with the requisite hours.

## Section C. Contributions - Elective Deferrals and Safe Harbor

### Elective Deferrals

Elective Deferrals are the employee’s contributions to the plan. Vestwell by default supports pre-tax and Roth contributions from employees, made via payroll deduction (reflected on an employee’s Form W-2 in Box 12 with deduction codes D and AA, respectively). Please review the PAA carefully if you do not intend to offer Roth contributions.

As with your plan’s eligibility rules, it is best to keep elective deferrals simple. For ease of administration, we allow for deferrals up to the legal limit, including catch-up contributions for employees age 50 or older that calendar year.. As part of our recordkeeping services, we monitor incoming participant contributions to alert you to potential excess deferrals; **however, the best preventative measure is to ensure your payroll is set up to limit aggregate pre-tax and Roth employee contributions to the IRS limits for the year.** Vestwell is unable to fully prevent excess deferrals since they are already withheld from pay by the time submitted to Vestwel. In a year the plan is converted to Vestwell, contributions deposited to the prior provider cannot be accounted for, and employees contributing to multiple 401(k)/403(b) plans in a calendar year must self monitor their limit across plans.



As stated in the PAA, and further described in the Summary Plan Description, Vestwell provides that employees “may change, stop, or re-start [their] deferral election at any time; [elections] will be updated up to once per pay period, and may take up to a few pay periods to go into effect.” Vestwell provides alerts to you, or directly to your payroll system if integrated, each pay period to indicate participants who updated deferral elections since the last pay date.. Please note that the Vestwell Platform only supports deferral percentages and dollar amounts stated in integers at this time. For example, a participant may elect 7% or \$125, but may not elect 3.5% or \$62.50.

## Automatic Enrollment

These provisions, also referred to as “automatic contribution arrangements,” are proven options to increase engagement and lead your employees to greater savings habits. Upon entering the plan, an employee’s default savings rate will be pre-set for them. Employees are provided notice in advance of the default rate going into effect, so they may elect a different rate or opt out before their first eligible payroll

Vestwell currently only supports designation of default elections to pre-tax deferrals. The platform additionally only recognizes changes to the pre-tax deferral election as an opt-out of the automatic deferral rate. In other words, if a participant only changes her Roth contribution rate, the system will continue to recognize them as default enrolled at the pre-tax rate (in addition to the Roth rate they elect).

There are three types of automatic enrollment features:

- **Automatic Contribution Arrangement (ACA)** - The basic option. The default savings rate can be set at any integer (e.g., 8%, 6%, 4%, 3%) and can be applied to all eligible employees (re-enrollment for existing plans) or to employees entering the plan on or after the effective date. Automatic increases may be considered.
- **Eligible Automatic Contribution Arrangement (EACA)** - Same as the ACA options noted above, with two added benefits:
  - Extended deadline to correct ADP/ACP test failures (as applicable); and



- Permissible withdrawals that allow participants who were automatically enrolled to reverse the default contributions within 90 days

You can add an EACA provision mid-year, but it will only be applied prospectively (i.e., the provisions will only apply to those who enter the plan on or after the feature effective date). That means that any participants who forgot to opt out of the plan before the EACA provision was added will be unable to use the permissive withdrawal option. This option may also not be removed mid-year.

- **Qualified Automatic Contribution Arrangement (QACA)** - This option can combine EACA automatic enrollment features with safe harbor features (see Section D). Vestwell by default pairs a 6% automatic enrollment rate with QACA safe harbor arrangements; these provisions may only be added at the start of a plan year.

## Safe Harbor Contributions

The purpose of safe harbor provisions is to bypass certain required nondiscrimination testing: if utilized, your plan will be deemed to pass the ADP test (employee contributions), and may additionally be deemed to pass the ACP test (matching contributions) and meet top heavy requirements. This allows owners and highly compensated employees to contribute at desired rates without risk of refunds due to test failures or an unexpected employer contribution. The trade off is a fixed rate of contributions of at least 3% to all eligible employees, or a fixed employer matching contribution meeting minimum formula requirements. Note that with the exception of QACA safe harbor arrangements, which must be paired with automatic enrollment, safe harbor contributions are 100% immediately vested. Please review this section carefully, including the safe harbor election, the type/formula, and the effective date to ensure it matches your intent. Required participant notices are generated and delivered based on the PAA, and these fixed contributions become legally required and generally cannot be changed until the following year.

Vestwell supports the following safe harbor options:



- Match (Single Rate) - minimum of 100% of the first 4% saved, match is capped at 4%; employees who contribute will receive a match and those who do not will not receive a safe harbor contribution. The match is 100% immediately vested.
- Match (Two Rates) - minimum of 100% of the first 3% saved, plus 50% of the next 2% saved, match is capped at 4%; note that some payroll systems may not support two or more tiers of match; match is 100% immediately vested
- Non-elective - minimum of 3% of plan compensation to all employees eligible to contribute; this contribution is not based on how much each employee decides to save\*; contributions are 100% immediately vested
- QACA Non-elective - minimum of 3% of plan compensation to all employees eligible to contribute; this contribution type must be paired with automatic enrollment, and a 2 year vesting schedule may be applied
- QACA Match - minimum of 100% of the first 1% saved, plus 50% of the next 5% saved, match is capped at 3.5%; this match must be paired with automatic enrollment, and a 2 year vesting schedule may be applied

\*Beginning in 2020, safe harbor non-elective contributions may now be added mid-year, if you are not ready to make a decision to add the fixed contribution at the start of the plan year. Note that an addition of a safe harbor provision after the PAA is executed will require a plan amendment, subject to an additional charge set forth in your Vestwell Plan Services Agreement. Safe harbor non-elective provisions added before December 1 of a given plan year must be retroactive to the start of the plan year and can be set at a rate of at least 3% of eligible compensation. The same provisions added after December 1 and before December 31 of the following year must be set at a rate of at least 4% of eligible compensation.

### Determination Period for Safe Harbor Matching Contributions

This section describes the timing of when the matching contributions, if applicable, must be determined, or calculated.

- End of Plan Year: matching contributions are calculated based on the full plan year compensation and employee contributions for the year.



- You may opt to fund these contributions every pay period or fund in full after year-end.
- A year end calculation is required.
- If contributions are funded every pay period or other period throughout the year, a final deposit may be due to 'true-up' the difference between the pre-funded pay period deposits and the year-end calculation.
- Funding in full must be made by your company's tax deadline, including extension if applicable, to be deducted for the same year; however, full funding is required by 12 months after the close of the year, regardless of your tax schedule.
- Each pay period: matching contributions are calculated based on compensation and employee contributions for each pay period within the plan year.
  - You may opt to fund these contributions every pay period.
  - A calculation is required for every pay cycle; a year-end calculation may be performed solely as a reference point.
  - At minimum, these contributions must be deposited by the quarter end following the quarter of the relevant payroll.
  - No 'true-up' is due based on a year-end analysis. Any shortfalls or excess funding must be reviewed for each relevant pay period.
  - **The Plan Sponsor is responsible for ensuring these contributions are calculated correctly. If the Plan Sponsor requests that Vestwell calculate or review the contributions on a pay period basis, a special services charge may apply.**

### Important Note About Electing No to a Safe Harbor Provision

Electing not to utilize safe harbor provisions means that your plan must pass non-discrimination tests each year, including the ADP test, the ACP test, and top heavy test. The impact of these tests may include:

- ADP and/or ACP test failure may result in refunds to owners and/or highly compensated employees, or additional contributions due by the employer



- If a plan is considered Top Heavy, a minimum contribution of up to 3% of gross compensation may be required to all non-Key employees

The risk and surprise most often arises in the first plan year in which owners and/or officers contribute at significantly greater rates than other employees; this may result in a combination of refunds and/or mandatory employer contributions. If safe harbor or other employer contributions are not viable options for your company, it is important to consider limiting or monitoring contributions of owners and/or officers and utilizing automatic enrollment to better balance participation rates across the company.

### Testing Elections

Actual deferral and contribution ratios of non-HCEs are determined using the current year compensation and contribution rates. If your plan previously used prior year testing methodology, it will be changed to the current year methodology upon joining the platform. If you prefer to maintain a prior year testing model, Vestwell may require that you engage a Third Party Administrator (Vestwell's unbundled services).

## Section D. Contributions - Employer Matching, Non-Elective and Other Contributions

The below provisions apply to optional employer contributions, if elected. Initial eligibility for the plan is described in Section B. Once eligible to enroll in the plan, participants may be subject to additional allocation requirements to be eligible for employer matching and profit sharing contributions each year (if made).

### Employer Matching - Allocation Service

If you elect to utilize the matching contribution provision, by default, Vestwell does not require a minimum number of hours or employment on the last day of the year in order to be eligible for the matching contribution. This allows employers to calculate and/or fund matching contributions each pay period. If you wish to impose an allocation condition, Vestwell will not calculate the employer match until after year-end, since allocation requirements would only be



verified as part of the year-end annual review process. Additionally, Vestwell may limit the ability to make matching contributions during the year to avoid overfunding participant accounts in the event of termination of employment.

## Employer Matching - Formula

### Matched Employee Contribution Inclusions

By default, Vestwell includes employee catch-up contributions (for employees over age 50) and Roth deferrals when calculating matching contributions. If setting up your matching calculations with your payroll provider, it is important that these contributions are included in the matching calculation, and any limits / formulas are applied to the aggregate deferrals.

### Employer Matching Contribution Formula

Vestwell supports uniform discretionary match formulas by default; this means that you have the final decision about whether to make the match and, in years when your company may not be in a position to offer a match, you do not need to make one. If you want to permit an employer match to differ among tiers of employees, it is your responsibility to draft a company resolution and a plan amendment if required. If your plan is a Safe Harbor plan, the match cannot be made on employee deferrals above 6% and the total amount cannot exceed 4%.

### Employer Matching Contribution(s) - Limitations

You may opt to use this section to set a cap on the matching formula; however, the discretionary formula also permits setting this cap at the time the contribution formula is determined by the employer. If you choose this feature, it is your obligation to monitor the employer match limitation throughout the year. Please note that if any participant receives more than the maximum limit and takes a distribution from the plan (for instance, if the participant separates from employment), the plan will need to recover that excess amount from the participant. Vestwell will not be responsible for any corrective action needed, but may assist with the excess calculation and account adjustment(s).





## Determination Period for Employer Matching Contributions

This section describes the timing of when the matching contributions must be determined, or calculated.

- End of Plan Year: matching contributions are calculated based on the full plan year compensation and employee contributions for the year.
  - You may opt to fund these contributions every pay period or fund in full after year-end.
  - A year end calculation is required.
  - If contributions are funded every pay period or other period throughout the year, a final deposit may be due to 'true-up' the difference between the pre-funded pay period deposits and the year-end calculation.
  - Funding in full must be made by your company's tax deadline, including extension if applicable, to be deducted for the same year; however, full funding is required by 12 months after the close of the year, regardless of your tax schedule.
  
- Each pay period: matching contributions are calculated based on compensation and employee contributions for each pay period within the plan year.
  - You may opt to fund these contributions every pay period.
  - A calculation is required for every pay cycle; a year-end calculation may be performed solely as a reference point.
  - At minimum, these contributions must be deposited by the quarter end following the quarter of the relevant payroll.
  - No 'true-up' is due based on a year-end analysis. Any shortfalls or excess funding must be reviewed for each relevant pay period.
  - **The Plan Sponsor is responsible for ensuring these contributions are calculated correctly. If the Plan Sponsor requests that Vestwell calculate or review the contributions on a pay period basis, a special services charge may apply.**



## Non-Elective - Allocation Service

By default, our plans include a discretionary non-elective contribution (aka profit sharing contribution) feature. A non-elective contribution feature provides employers the option to make non-elective contributions to eligible employees at year end - the contributions are called 'non-elective' because they are not contingent on the employee electing to defer into the plan (unlike match contributions). Employers have the discretion to choose not only if they want to make a non-elective contribution each year but also, the total amount they want to contribute each year. The employees eligible to receive the non-elective contributions and the individual amount that they receive, are dependent on the eligibility requirements (discussed earlier in this guide), allocation requirements, contribution formula and the compliance testing results.

## Non-Elective - Allocation Requirements

Vestwell supports the following profit sharing allocation requirements; note that allocation requirements must pass non-discrimination / coverage testing annually, and in some cases, employees not meeting these requirements will become eligible to satisfy such testing:

- Last day requirement - in order to receive a profit sharing allocation, an employee must be employed on the last day of the plan year
- Hours required - in order to receive a profit sharing contribution, an employee must work a certain number of hours in the plan year (this requires hours tracking via payroll or at year-end)
- Last day and hours requirement - in order to receive a profit sharing contribution, an employee must be employed on the last day of the plan year AND work a certain number of hours in the plan year (cannot exceed 1,000)
- 

## Non-Elective - Formula

Vestwell supports the following profit sharing styles:



- Pro rata - Same percentage of pay to all eligible employees
- Integrated - provides the same base percentage of pay to all eligible employees, and an additional percentage of pay to employees with eligible compensation in excess of the Social Security taxable wage base
- New Comparability - provides more flexibility in the percentage of pay applied to different groups of employees; typically tested similarly to a defined benefits plan (considers length of time to retirement)

Generally, the style (formula) of profit sharing contribution may be amended during the plan year only if a last day allocation requirement exists; once any participant earns the right to an allocation during the year, the style may not be changed for that year. If you require more complex non-elective contribution formulas, including coordinating union benefits or Davis Bacon prevailing wage contributions, Vestwell may require that you engage a Third Party Administrator (Vestwell's unbundled services).

## Other Contributions/415

### Rollovers

By default, Vestwell permits employees of eligible classifications to make rollover contributions to the plan, even if not yet eligible to contribute otherwise. As noted in the Summary Plan Description, Vestwell can only accept direct rollovers of pre-tax and designated Roth accounts from other qualified plans and Traditional IRAs.

### Death or Disability During Qualified Military Service

By default, a participant who dies or becomes disabled while performing qualified military service will be treated as if he had been employed by the employer on the day preceding death or disability. Contact Vestwell if this situation arises, so employee service records can be updated accordingly..



## Section E. Vesting

Vesting is the process by which a participant's benefits become non-forfeitable; a vested balance represents the benefits a participant has earned the right to keep should they leave employment at that time. Vesting is one way to use your plan as an employee retention tool, since you can create a schedule that rewards longevity with your company.

Employee contributions and rollovers into the plan are always fully vested, but employer contributions like matching and profit sharing contributions may be subject to a vesting schedule.

### Vesting Service Rules

Similar to eligibility, the PAA defines how service is recognized for the purposes of crediting a year of vesting service. The vesting schedules are based on the number of years of vesting service an employee is credited. Note that as with eligibility, service with *all* related companies (dates of hire, hours of service, as applicable) must be reported to Vestwell to ensure vesting is accurately calculated on an ongoing basis.

### Vesting service computation method

Below are standard vesting recognition options supported by Vestwell's bundled offering:

- Elapsed time: Service is recognized as the passage of time; an employee is credited with a year of vesting service on each anniversary of hire if employed; credit is generally recognized as if employed continuously if an employee terminates service and is subsequently rehired within 12 months
- Hours-Based: Service is based on hours worked each plan year; an employee does not have to be employed on the last day of the year for service to be counted; a year of vesting service is credited as soon as an employee is recognized with 1,000 hours in a year.



**If electing an hours based method, you must confirm that your payroll provider tracks hours and is able to provide them as part of your payroll data every pay cycle.**

### Hours Equivalency

Note that for salaried employees for whom hours are not tracked, the Department of Labor allows for an equivalency method to be selected. Under the heading “Eligibility Service Computation Rules”, Vestwell selects from the following options if you have elected hours-based eligibility requirements:

- 45 Hours of Service for each week or partial week - if your primary pay period is weekly or biweekly;
- 95 Hours of Service for each semi-monthly payroll period or partial semi-monthly payroll period
- 190 Hours of Service for each month or partial month for monthly pay cycles

You must work with your payroll provider to ensure the hours uploaded each pay cycle reflect actual tracked hours or the appropriate DOL approved equivalencies. Note that in the absence of hours submitted with payroll, Vestwell may default to 190 hours per month of employment when considering eligibility and/or vesting.

### Other Employer Service

This section is intended to recognize employment history with a non-related company for vesting purposes. This often arises with an asset acquisition, for which the new employer wants to recognize service for a group of newly hired employees from the company from which they acquired business assets. Note that employment history from related or predecessor employers must be recognized (naming them here is not mandatory but may be helpful). If utilizing this provision, the same must be applied for eligibility purposes; you will need to provide an original date of hire with the recognized entity, and hours history if your plan uses hours-based service for eligibility and/or vesting.

### Vesting Exceptions

Accelerated vesting can optionally be applied when an employee terminates employment due to death or disability; by default, Vestwell applies these provisions. In other words, if an actively



employed individual passes away or becomes disabled, their employer benefits become immediately vested. Note that by statute, employees must be made 100% vested upon attainment of the plan's Normal Retirement Age (see Section F).

### Vesting Exclusions

Recognition of service for vesting may be restricted to only such service after an employee turns age 18, and/or after the original effective date of the plan. By default, Vestwell does not apply these provisions. If applied, these provisions may reduce administrative burden of providing historic service (e.g., only service from the start of the plan and forward need to be submitted); the downside for long term employees is that they start earning vesting credit anew, not earning credit for their work history before the plan.

### Vesting Schedules

At this time, only one vesting schedule may be elected across employer contribution types. Below are the schedules offered:

- 100% immediate
- 2 Year Cliff - must be elected if utilizing QACA safe harbor, to align to schedule 0% vested until credited with 2 years of service (100% vested)
- 4 Year Graded - 25% each year starting with 1 year of service (100% at 4 years)
- 6 Year Graded - 20% each year starting with 2 years of service (100% at 6 years)
- 3 Year Cliff - 0% vested until credited with 3 years of service (100% vested)
- As needed, a schedule that aligns to a prior plan document (carry forward)

### Forfeitures

Forfeitures arise from the unvested portion of an employee's account once they separate service; forfeitures are recognized as of the earlier of the employee taking a full distribution of their account, or 5 breaks in service (5 years with under 500 hours) since termination of service. You can use the balance in the forfeiture account for any legally permissible method, such as to offset employer contributions, reallocate as employer contributions, and/or pay plan expenses. Forfeitures cannot be used for employee contributions. Your Vestwell invoice will show you a running balance of your forfeiture account. **It is your responsibility to ensure timely use of**



**your forfeiture balance (no later than the end of the plan year following the year in which the forfeiture occurred) and for purposes consistent with those set forth in the plan document.**

## Section F. Distributions

### Normal/Early Retirement

By default, Vestwell defines the Normal Retirement Age as the date a participant reaches the age of 65. Vestwell does not support Early Retirement Age provisions, which optionally accelerate vesting or provide for certain distribution and contribution waivers. If your prior plan document includes an Early Retirement provision, Vestwell may continue forward the provision as a protected benefit, but remove the service requirement (i.e., solely apply the age requirement).

### Time & Form of Payment

Vestwell supports distributions immediately upon termination of employment. If your prior plan document delayed distributions (e.g., until the end of the year), Vestwell will update the provision to match the standard immediate provisions supported on platform. Distributions may be made in the form of cash; Vestwell does not provide for in-kind distributions at this time.

The following forms of payment may be elected:

- Lump sum - a full distribution of the vested account balance; the participant may elect to take the full amount as a rollover to another qualified plan or IRA, take the full amount as a cash distribution (subject to ordinary income taxes and early withdrawal penalties, if applicable), or a mix of the two to meet cash flow and planning needs
- Partial - if elected, this provision allows participants to take a portion of their vested account and leave the remainder in the plan to distribute at a later date; the upside of this option is flexibility for former employees, downsides may include multiple distribution fees, and ongoing administrative overhead for a former employee's account



Vestwell does not currently support installment or Qualified Joint and Survivor Annuity options. If needed or desired, Vestwell may require that you engage a Third Party Administrator (Vestwell's unbundled services).

## Payments on Death

It is important to encourage employees to add beneficiary elections, which they can do through their Vestwell portal. Alternatively, you can keep elections (e.g., paper forms) on file if preferred, or a mix of these methods. In order for us to consider a participant's Beneficiary Designation Form to be valid, it must be fully and properly completed. Absent a valid beneficiary election, the PAA defines who will be considered as the designated beneficiary(ies) in the event of a participant's death. Vestwell uses the plan's default provision, which states:

“Unless otherwise provided in the Adoption Agreement, in the event that the Participant fails to designate a Beneficiary, or in the event that the Participant is predeceased by all designated primary and secondary Beneficiaries, the death benefit shall be payable to the Participant's spouse or, if there is no spouse, to the Participant's children in equal shares or, if there are no children to the Participant's estate.”

We recommend that you remind your employees to review and update elections regularly to consider significant life changes. The PAA may also include a provision indicating that a beneficiary designation to a spouse shall be automatically revoked upon the legal divorce of the participant and the spouse.

## Force Out Provisions

In recognition of the administrative burden associated with small accounts, the IRS provides that plans may force out small balances associated with former employees. These provisions help:





- Reduce the likelihood of missing participants / abandoned accounts;
- Reduce the administrative burden of regular disclosures to former employees; and
- Reduce the likelihood of unnecessarily requiring a plan audit solely for a growing number of small accounts left behind by former employees.

As elected in the PAA, Vestwell may force out former employees' vested account balances under \$5,000 by rolling over the accounts to default IRAs after providing required notice and wait period. This wait period allows former employees to make an election to direct payment as a cash distribution or rollover to an IRA or qualified plan of their choosing.

### Required Beginning Date

Required minimum distributions (RMDs) generally must be taken once an individual reaches age 72; however, there is an exception that may be applied for non-owner employees actively employed. As elected in the PAA, employees not considered over 5% owners are required to begin distributions as of the later of age 72 or severance of employment. Note that those considered over 5% owners must begin distributions upon attainment of age 72, regardless of employment status.

## Section G. In-Service Withdrawals

While 401(k) savings are primarily intended to support living expenses during retirement, the plan may allow for access to these savings in specified situations while still employed. Vestwell supports the following options by default to allow flexibility while maintaining statutory restrictions:

- Upon attainment of age 59-½\*
- Rollover sources (amounts rolled into the plan) at any time
- Upon being declared Disabled (under plan terms)\*



- Military - Qualified Reservist and Deemed Severance distributions\*
- Hardship distributions, if elected (see below)

\*Access is typically restricted to sources which are 100% vested; sources not yet fully vested are not accessible by those actively employed

The IRS allows certain distributions before age 59-½ for immediate and heavy financial needs, known as hardship withdrawals.<sup>9</sup> Vestwell uses the IRS-provided list of ‘safe harbor’ reasons to take a hardship distribution, expanded to consider designated beneficiaries, and allows participants to self-certify as to the amount and need. Participants are required to furnish proof of such hardship upon request. An approved hardship can be expected to be processed within 10 days.

Options include:

- Not permitting hardship distributions;
- Permitting hardships solely from amounts employees have contributed; or
- Permitting hardship withdrawals from all fully vested sources

Updates to hardship rules made in recent years; Vestwell utilizes the following defaults, and assumes the following provisions were elected effective the later of January 1, 2020 or the plan’s original effective date:

- Hardship safe harbor reasons were expanded to include federally declared disasters;
- Available sources expanded to include QNEC/QMAC/Safe Harbor sources;
- Available amounts expanded to include earnings from employee deferral sources;
- The Participant may represent (in writing or by an electronic medium) that they have insufficient cash or other liquid assets to satisfy the financial need;
- The six month suspension of deferrals shall no longer apply; and
- Participants are no longer required to take all available nontaxable loans before requesting a hardship distribution.

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<sup>9</sup> <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-hardship-distributions>



Other in-service distribution options, including In-Plan Roth Rollovers or Transfers are not permitted at this time.

## Section H. Plan Operations and Top-Heavy Plan Operations

### Investments and Self-Direction

Plans on the Vestwell platform provide for participant self-direction of their investments; their investment elections apply to all funding sources in their account, including employer contributions. When providing participants investment control, the plan sponsor must provide an investment menu and regularly assess the quality of investment options in the plan. Vestwell Advisors may be engaged as a discretionary investment manager, as may other investment advisors which contractually agree with you to perform those fiduciary investment duties. Alternatively, an investment advisor provides advice to the plan sponsor but does not employ discretion over the investment menu without your express consent. Regardless of whether you engage any third party to perform fiduciary investment services as an investment manager or investment advisor, you always remain a fiduciary to the plan and should regularly review your plan's investment options to be sure that the investments are suitable for your employees and the fees are reasonable.

On the Vestwell platform, the below are options or limitations which may be reflected in the PAA:

- Investment menus may include but are not limited to: mutual funds, ETFs, stable value funds, money market funds, collective investment trusts;
- Investment menus may not currently include employer securities, individual stocks, real estate holdings, property;
- Individual annuity contracts are not currently supported;
- Self Directed Brokerage Accounts are not currently supported;



- Plan assets are valued at the end of each business day following the New York Stock Exchange calendar. Participant accounts are updated in a transaction log available on the participant portal.

## Plan Administration

The Plan Sponsor may designate a Plan Administrator, and may outsource certain Plan Administration functions as described by your Vestwell Plan Services Agreement. In your capacity as Plan Sponsor, you also serve as the plan's Trustee consistent with the obligations set forth in Section 1(d) of the Vestwell Plan Services Agreement. By default, the Plan Sponsor is the investment fiduciary, and, as noted in the prior section, may have contractually engaged Vestwell Advisors or a third party for that service.

## Top-Heavy

A plan is considered top heavy if the proportion of plan assets held by Key Employees is in excess of 60% of total plan assets (with required adjustments). A Key Employee is an employee, who at any time during the plan year, meets at least one of the criteria below:

- An individual who owns (directly or indirectly) more than 5% of the company business or a related employer
- An individual who owns (directly or indirectly) more than 1% of the company or a related employer AND has gross annual compensation in excess of \$150,000
- An officer of the company or a related employer with annual compensation exceeding \$185,000\* (in 2021; subject to COLA)

The top heavy status each year is determined based on the Key Employee status and asset balances as of the determination date, typically the last day of the prior plan year. If a plan is top heavy, minimum contributions of up to 3% of compensation may be required if Key Employees make or receive an allocation of any contributions or forfeitures for the year.

Per the PAA, Vestwell defaults to a requirement for only non-Key Employees to receive the top heavy minimum contribution, if applicable. This removes the requirement to contribute to Key



Employees, but most non-elective and matching formulas provide the flexibility to contribute to such employees if desired.

If the Plan Sponsor sponsors a defined benefit plan, the top heavy test may require the plans to be aggregated together to determine if a top heavy minimum contribution is due and how much the minimum required contribution would be. Note that other contribution requirements and plan testing may require aggregation with a defined benefit plan; Vestwell may require that you engage a Third Party Administrator (Vestwell's unbundled services) for combined testing.



## Additional Documents Included (As Applicable)

### SECURE/CARES/CAA Amendment

This “good faith” interim amendment is a required amendment which outlines provisions required and optional provisions based on recent law changes. Vestwell provides the amendment for these legislative requirements with the following elections, which may be modified upon request.

Below is a summary of the elections selected by default:

- Qualified Birth and Adoption Distributions: allows for in-service distribution of up to \$5,000 during the 1-year period beginning on the date on which the employee’s child is born or on which the legal adoption finalized; as a default, Vestwell assumes this is effective the later of January 1, 2020, or the original effective date of the plan. Contact Vestwell if this date requires adjustment based on plan provisions in effect prior to Vestwell.
- RMD Waiver (2020): as a default, Vestwell assumes that the plan waived required minimum distributions for 2020 if the plan was in effect; additionally, Vestwell does not provide for rollover treatment of amounts taken before the waiver was announced.
- Portability: Vestwell does not currently support annuity products, so portability of such products is not elected.
- Reduction of Transfer Account (pension asset) in-service age: as a default, Vestwell decreases the minimum age for in-service distribution of pension related assets, if merged into this plan, from 62 to 59-½ to align to other in-service provisions.

Below is a summary of relevant default law changes incorporated by this interim amendment:

- QACA Auto Increase: permits the auto-increase cap to be set as high as 15% (from 10%) and still meet QACA requirements



- RMD beginning age: effective Jan 1 2020, any references to age 70-1/2 are replaced with: age 70-1/2 (for Participants born before 07/01/1949) or age 72 (for Participants born after 06/30/1949).
- CARES Act: distribution and expanded loan options related to coronavirus-related relief are adopted
- Long Term Part Time employees: no longer permitting exclusion solely based on never having worked 1,000 hours in a 12 month eligibility period, service beginning in 2021 must be recognized for employees working at least 500 hours in a plan year. If not already eligible, an employee will become eligible upon the completion of 3 consecutive years of at least 500 hours of service, and such years shall count toward vesting service.

## Consent Resolution

This resolution is provided as part of the standard plan document package as a way to document a company action, recognizing the decision at a company level to adopt the plan as described. This gives authority for the company to adopt the plan, and should be reviewed to ensure the language conforms to your company bi-laws. If modifications are required, please contact your Vestwell representative, so we can upload your preferred version with the document for electronic signature.

## Trust Agreement

As explained in Section 1(d) of your Vestwell Plan Services Agreement, unless otherwise modified, you are serving as the plan's Trustee and delegating various recordkeeping and plan administration functions to Vestwell and investment activities to the investment fiduciary you have selected for your plan, if applicable.



## Joinder Agreement(s) - If Applicable

If a member of a controlled group of employers or an affiliated service group wants to participate in the Plan, it must formally elect to join the plan by completing a Joinder Agreement, a Consent Resolution, or signing the Plan Document. If related entities sponsor separate plans or choose not to participate in this plan, Vestwell may require that you engage a Third Party Administrator (Vestwell's unbundled services).

Vestwell typically provides a Joinder Agreement to document the sponsoring employer's consent and participating employers' adoption of the plan under the same terms as the sponsoring employer.

## QDRO Procedures

These procedures outline the necessary steps in the case you are notified of a Domestic Relations Order. Vestwell may assist with the DRO qualification review, and processing of the court-ordered document, based on the procedures outlined.

## Loan Procedures - If Elected

If you intend to offer participant loans, i.e., borrowing against one's own vested account balance, the loan procedures outline the terms of such loans, including:

- Maximum amount: statutory limit of the lesser of 50% of participant's vested balance; or \$50,000, reduced by the highest outstanding loan balance in the last 12 months
- Repayment period:
  - General Purpose Loan: maximum period is 5 years (statutory limitation)
  - Residential Loan: if elected, Vestwell defaults to a repayment period up to 10 years for purchase of a principal residence
- Repayment frequency and method: Vestwell provides for repayment via payroll deduction; payments typically align to a company payroll schedule, and must be at least





quarterly. Pre-payments are only permitted in full via the participant's online account via EFT.

- Interest rate: Interest must align to other commercially available rates; Vestwell defaults to the prime rate as reflected in the *Wall Street Journal* as of the first day of the month in which the loan is requested, plus 1%. Note that the participant is paying the interest to their own account, not to Vestwell or other entity.
- Limitations: Loans may not be refinanced. Vestwell permits one loan at a time per participant.
- Due in full upon termination of employment: Upon severance of employment, a loan becomes due in full; if unable or unwilling to pay off the loan at that time, the loan is considered in default and offset. The outstanding balance is reported as a taxable distribution, subject to ordinary income taxes and early withdrawal penalty, as applicable.

In order to request a loan, a participant must complete an online application via the Vestwell portal; upon submission of an eligible request, the participant can expect the loan will be processed for payment within 10 days. Loans are subject to a \$175 processing fee and \$50 annual maintenance fee, which is deducted from the participant's account; these fees are reflected in the online application process. Once a loan is approved, you will be notified of loan repayment amounts. These repayments must be set up in payroll as 401(k) loan payments; these payments are not pre-tax / deductible amounts.

## IRS Opinion Letter

This letter reflects the pre-approved nature of the plan document, i.e., the Basic Plan Document and associated Plan Adoption Agreement. It is addressed to the document provider, CCH Incorporated dba FtWilliam, indicating that this plan document has been reviewed and approved for use by a client like you. This confirms that the document adheres to the most recent required language for a plan to be considered qualified, so long as no (significant) adjustments are made to the document as provided, and options as outlined by the adoption agreement are utilized.



## Participant Disclosures

The below are typically produced in full once the plan document is executed, and published to the portal for employee access.

### Plan Highlights

Not a replacement for the PAA or the Summary Plan Description, this two-page document can be a helpful quick-reference guide for the terms of your plan.

### Summary Plan Description

The Summary Plan Description (SPD) is a required disclosure to plan participants, provided before (or as soon as) they become eligible and at least once every five years. This document is intended to describe in common language how an employee becomes eligible for the plan, the types of contributions they can make or receive, how they can access their benefits (e.g., distributions, loans), and their rights under the plan.

### Annual Notice

If your plan utilizes safe harbor provisions and/or automatically enrolls participants at a specified employee contribution rate, an annual notice is generally required to inform participants how these provisions impact them. If the plan uses automatic contribution arrangements, the document describes the default savings rate at which they will be enrolled, how to take action if they don't intend to contribute, and whether they have access to unwind contributions made via this default.

### Qualified Default Investment Alternatives (“QDIA”) Notice

This notice explains the investment(s) into which the participant will be defaulted if they do not make an allocation election, the relevant expenses, and how they may change their investment elections once invested into the default. It is the responsibility of the plan's investment fiduciary to confirm that any default set of investment options satisfies regulatory requirements. Note



that the QDIA Notice references an Investment Comparison Chart available via the portal with investment performance, expense, and benchmark comparisons for the investments available to your participants.