

## Retirement Plan Types

### 401(k) Plan

- Employees may elect to defer receiving a portion of their salary which is instead contributed on their behalf into a 401(k) plan.
- Employee deferrals may either be made as a pre-tax contribution or as a Roth contribution.
- Employers may elect to match a portion or all the employee contributions.
- Testing the average deferral percentages and average matching contribution percentages is required to prove that the plan is not discriminatory in favor of the owners or other highly compensated employees.

### Automatic Enrollment

- A 401(k) plan may provide an automatic enrollment feature.
- Employees will automatically be set to contribute a pre-defined percentage of pay unless they complete the necessary enrollment form electing not to contribute, or to contribute a different amount.
- Plans may adopt an Automatic Contribution Arrangement (ACA), Eligible Automatic Contribution Arrangement (EACA) or a Qualified Automatic Contribution Arrangement (QACA).

### Safe Harbor 401(k) Plan

In order to automatically satisfy Discrimination and Top-Heavy Testing requirements, the plan may adopt a Safe Harbor Provision by offering 1 of 3 types of contributions:

- 3% Non-Elective Contribution – employer contributes 3% of pay to all eligible participants
- Safe Harbor Match – employer matches 100% up to first 3% of pay contributed, plus 50% on next 2% of pay contributed (5% deferral will provide for maximum 4% match).
- QACA Match – applicable to Qualified Automatic Contribution Arrangement plans only – 100% match up to first 1% of pay, plus 50% on next 5% of pay. (6% deferral would provide for a maximum 3.5% match).

### Profit Sharing Plan

- Profit Sharing Plans allow for the allocation of employer contributions to all eligible participants. Unlike matching contributions, they are not contingent upon employee deferrals.
- 401(k) Plans may also have a profit sharing allocation.
- Employer contributions may be discretionary and determined from year to year or listed as a fixed percentage in the plan document.

### New Comparability Plan

- New comparability plans, sometimes referred to as “cross-tested plans,” may provide different levels of contributions to individuals. May provide larger benefits to owners and other highly compensated employees than would normally be permitted by standard nondiscrimination testing.

### Prevailing Wage/ Davis Bacon

- IRS approved retirement programs that are designed for open shop contractors who work on Federal or State jobs or service contracts.
- The Fringe portion of the required wage may be contributed to retirement plan, in lieu of being paid directly to the employee as wages.

### Cash Balance Defined Benefit Plan

- A cash balance plan is a type of defined benefit plan that resembles a profit sharing plan.
- A fixed percentage of compensation for each participant is determined.
- A hypothetical “account balance” is maintained for each participant in the plan. However, no separate investment account is maintained.
- Interest is determined at a fixed interest rate.
- Contribution levels may fluctuate do to plan investment returns.
- Contributions are not discretionary