

ITEMS TO REMEMBER

— PROFESSIONAL BENEFIT SERVICES —

PBS, Inc. services include: performing annual discrimination testing, reconciling plan assets by comparing investment statements and year end census records, preparing annual 5500 tax forms, and assisting with participant withdrawals.

Examples of Client Responsibility: (Review the service agreement in depth for complete details). Offer the plan to employees, payroll withholding, ensure withholding amounts match employee requests, upload contributions timely, hand out participant notices, sign off on distributions.

5500 tax forms are required for all ERISA covered retirement plans and are filed online within seven months after the plan year end. An extension may be filed prior to the expiration of the seven month period to extend the 5500 due date another two and a half months. The penalty for late filings may be as great as \$300 per day.

Existing plans with **more than 120 participants** at the beginning of the plan year (or new plans with more than 100 participants at the plan year end) will require an audit by an independent auditor. (Fees for these services are charged by the independent auditor and can be \$10,000 or more.)

The IRS regulations clearly define the due date for employee contribution deposits. For plans with under 100 employees, employee contributions must be deposited within 7 business days from the date of payroll or the plan is required to calculate lost earnings. Plans with greater than 100 employees must deposit employee contributions immediately. Employer contributions can be sent in at any time, but no later than the due date of your corporate returns.

EACA: New 401(k) and 403(b) **plans beginning after 2022 are required** to enact an Eligible Automatic Contribution Arrangement. This is mandatory. You will note several simplified provisions in the checklist that follows. Ask your PBS sales rep for clarification on any of the points.

LTPT: **Beginning in 2024** long-term part-time employees that have served at least 500 hours per year since 2021 (3 years as of 2024, and 2 years as of 2025) must be given the ability to defer into the plan. They are exempt from most testing and employer contribution requirements.

401(k) plans can become Top Heavy. Most Top Heavy plans **REQUIRE** employers to make a 3% profit sharing contribution to all eligible employees. A good guideline for anyone wanting to avoid becoming Top Heavy, is to make sure that the total monthly deposits made for key employees (owners, officer, etc.) do not exceed the total monthly deposits for the rest of the employees. Plans making Safe Harbor contributions typically satisfy the top heavy requirement.

401(k) plans also have to pass an **Average Deferral Percentage (ADP)** test. Please talk with the owner(s) and inform them that "Highly Compensated Employees" (defined as Owners, their linear relations and anyone making more than the HCE threshold in the prior year (\$135,000 for 2022, \$150,000 for 2023)), may have their deferral contributions limited by the average percentage of deferrals of the remaining eligible employees ("Non-Highly Compensated Employees"). This includes those employees that are eligible but not contributing.

To protect pension plan participants from possible fraud by individuals handling their funds, ERISA requires plans to purchase fidelity coverage for at least 10% of the plan's assets. These **ERISA-required bonds** are inexpensive and normally obtained from the company's liability carrier.

Please provide us with complete **business ownership** information. Also, remember to ask owners of the business and their spouses if they have ownership of any other business and what that ownership percentage is (for potential control group issues).

Within 3 weeks, PBS, Inc. produces documents and routs them as instructed on the checklist.

Please contact PBS if you have any questions about the above.

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NEW PLAN CHECKLIST

— PROFESSIONAL BENEFIT SERVICES —

I. PLAN TYPE

Plan Type: ☐ Safe Harbor 401(k) ☐ Traditional 401(k) Plan ☐ Profit Share Only ☐ 403(b) Plan

If you did not select a Safe Harbor 401(k) Plan, do you intend on making an employer contribution (match or profit share) in the first year of the plan? ☐ Yes ☐ No

Will owners be participating in the plan? ☐ Yes ☐ No

II. EMPLOYER INFORMATION

Business Legal Name :

Street Address :

City/State/ZIP :

City

State

ZIP Code

Phone Number : Fax Number :

EIN :

Payroll Cycle: ☐ Weekly ☐ Bi-Weekly ☐ Semi-Monthly ☐ Monthly ☐ Other:

Business Owners & Percentage Ownership:

Do any owners, or spouses of owners, own other businesses? ☐ Yes ☐ No

**If yes, the attached ownership sheet is required to be completed.*

Business Type: ☐ S-Corporation ☐ Sole Proprietorship ☐ LLP ☐ Partnership

☐ C-Corporation ☐ Non-Profit Organization ☐ LLC ☐ PC

Business type that you are taxed as:

Nature of the business: # of Employees:

NAICS Business Code (as reflected on corporate tax return):

Fiscal Year End: Date of Incorporation or Date Business Began:
Month Day Year Month Day Year

II. EMPLOYER INFORMATION

Does the employer currently maintain, or has the employer previously maintained another qualified plan?: ☐ Yes ☐ No

If yes, specify the plan type and date of termination:

Additional Adopting Employers: ☐ Yes ☐ No

Name(s) of Adopting Employers:

III. BASIC PLAN INFORMATION

Plan Name:

Effective Date: Plan Year End:
Month Day Year Month Day

Trustee Name(s) & E-Mail Addresses:

**Must include at least one business owner*

Day-to-Day Contact Person & E-Mail:

IV. PLAN DESIGN

Age Requirement: ☐ No age requirement ☐ 18 ☐ 21 ☐ Other, cannot exceed age 21.

Service Requirement: ☐ 12 months with 1,000 hours of service ☐ No service requirement

OR

☐ 1 month ☐ 3 months ☐ 6 months ☐ 12 months

Hours requirement in addition to longevity requirement

*Cannot exceed 1,000 hours

Entry Date: ☐ Immediately ☐ Monthly ☐ Quarterly ☐ Semi-Annually

Special Participation Date: ☐ Yes ☐ No *Includes all employees who are employed on the plan's effective date

Required EACA: Eligible Automatic Contribution Arrangement

This will go into effect on your plan's deferral start date.

Initial Auto Contribution Percentage: *3% minimum required

*There is a required auto-escalation. This contribution increase will be 1% annually, capped at 10%. Annual increase will happen on the first day of each plan year.

Auto Contribution Source: ☐ Pre-Tax ☐ Roth

All eligible employees without an existing affirmative election will be subject to automatic-enrollment. If an employee intends to opt out, please ensure there is a 0% deferral election on file for them.

Permissible withdrawals will be allowed when requested within 60 days after the first auto deferral.

V. BENEFIT EXCLUSIONS

Would you like to exclude certain classes of employees (please describe)? *Exclusions must be approved by PBS.*

**Union, Non-Resident Aliens and M&A employees are automatically excluded. Tell us if this should be changed.*

VI. CONTRIBUTIONS

When will deferrals begin? ☐ Same as effective date ☐ OR
Month Day Year

☐ **Safe Harbor Election** All Safe Harbor contributions are 100% vested. First plan year must be at least 3 months.

☐ **Safe Harbor Match** 100% of the first 3% of deferrals, then 50% of the next 2% of employee deferrals. Total contribution limited to 4% of compensation

☐ **Enhanced Safe Harbor Match: 100% match up to** **% of employee deferrals** *Minimum of 4%, maximum of 6%

☐ **QACA Safe Harbor Matching Contribution** 100% of the first 1% of deferrals, then 50% of the next 5% of employee deferrals. Total contribution limited to 3.5% of compensation

☐ **Safe Harbor 3% Non-Elective Employer Contribution to All Eligible Employees** *100% Vesting

☐ **QACA Safe Harbor 3% Non-Elective Contribution to All Eligible Employees** *May be subject to vesting

☐ **Prevailing Wage (Davis Bacon) Contributions**

Vesting of Employer Contributions (Non-Safe Harbor Contributions)

☐ 6 year graded (0, 20, 40, 60, 80, 100)

☐ 3 year cliff (0, 0, 100)

☐ *Full & Immediate

☐ 5 year graded (20, 40, 60, 80, 100)

☐ Full & Immediate

☐ *2 year cliff (0,100)

☐ 4 year graded (25, 50, 75, 100)

☐ *2 year graded (50, 100)

*QACA
Vesting
Options

VII. DISTRIBUTIONS

In-Service Distributions

Allow Pre-Retirement Distributions? ☐ Age 59.5 ☐ No

Hardship Distributions ☐ Yes ☐ No *Hardship withdrawals are subject to certain restrictions

Plan Loans ☐ Yes ☐ No

Default Loan Policy Allows: 2 outstanding loans per participant, interest rate is prime +2%, \$1,000 minimum, \$50,000 or 50% of vest balance maximum.

**EACA withdrawals must be allowed for employees who were auto-enrolled, later decided not to participate, and would like to back out the contributions within the time-frame noted within the EACA options in section IV (30 - 90 days after first withholding).*

VIII. ADVISOR & INVESTMENT COMPANY INFORMATION

Advisor Name : **Advisor E-Mail:**

Company :

Address :
Street Address City State ZIP Code

Phone Number : **Fax Number** :

**Plan document will be delivered electronically, directly to the trustee email address. If you would also like a hard copy, please let us know.*

Investment Company:

IX. CPA INFORMATION

Name : E-Mail:

Company :

Address :
Street Address City State ZIP Code

Phone Number : Fax Number :

X. PAYROLL INFORMATION

Name : E-Mail:

Company :

Address :
Street Address City State ZIP Code

Phone Number : Fax Number :

XI. PLAN CONTACT(S)

Primary Contact Name : E-Mail :

Phone Number : Fax Number :

Secondary Contact Name : E-Mail :

Phone Number : Fax Number :

XII. ADDITIONAL NOTES

XIII. PLAN SPONSOR AUTHORIZATION

By signing, the following hereby approves the creation of the retirement plan stated herein and authorizes the preparation of all Plan Documents, Schedules, and other forms that are required and necessary. It is further understood there is a fee for the preparation and filing said documents, forms and schedules. Payment of fees are hereby authorized upon delivery to Employer/Plan Sponsor of the prepared documents and itemized billing. **In addition, it is understood that changes to this information after the documents are prepared will result in additional fees.**

Print Name

Signature Date

Authorized Signature