FullStack 401(k)

through Invst

Plan Design Considerations

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Plan Design Considerations

As an adopter of the FullStack Inc., 401(k) Plan, there are several plan design options that can be customized to fit your company. Prior to the Bluestar Plan Design call, it is helpful to review the below information to determine what will work best for your company. Bluestar will discuss these items in detail and be able to answer any questions that you may have on the call.

TYPE OF EMPLOYER CONTRIBUTIONS

Option 1: Safe Harbor Contributions

Design Considerations:
A safe harbor 401(k) plan is a type of 401(k) that automatically satisfies ADP/ACP testing requirements. A safe harbor 401(k) plan will also automatically satisfy top heavy minimum contribution requirements for a year in which the only contributions made to the plan are elective deferrals (pre-tax or Roth) and safe harbor contributions (i.e., no profit-sharing contributions). These contributions are non-discretionary (required) contributions. They must be subject to 100% vesting and not be subject to any allocation conditions.

For a Safe Harbor contribution, choose one of the following options:

- Basic Match: Employer contributes an amount equal to 100% of the participants elective deferral up to 3%, plus 50% of the participants elective deferral from 3%-5%.
- Enhanced match: Employer contributes 4% of the participants elective deferral
- Non-Elective Contribution: Employer contributes 3% to each eligible participant, even if the participant is not deferring.

Option 2: Discretionary Matching

- For a discretionary contribution, choose from the following options:
- Employer will make a discretionary match to be determined by the employer
- Employer will make a fixed matching contribution of ___% of the participants elective deferral

Option 3: No Employer Matching

ELIGIBILITY AND PARTICIPATION

Design Considerations:
Employers may allow new employees to enter the plan immediately or set minimum age and service requirements. Employers with transient work force typically favor more restrictive eligibility requirements.

Service Requirement:

- After completing 12 months of employment and 1,000 hours of service.
- After completing _____ months of service.
- No service requirement. (All employees become eligible after meeting the age requirement)

Age Requirement:

Choose from age 18 to age 21. Age 21 is the most common.

Participation Date:

After meeting the age and service requirements, eligible employees will enter the plan the first of the following month.

PROFIT SHARING CONTRIBUTIONS

Design Considerations:
A key advantage of a profit sharing contribution feature is that the employer can have flexibility in determining its annual contribution to the plan because of the ability to use a discretionary contribution formula. This way the employer is able to contribute more in years of high profitability, and to contribute less when business is not as good, without having to amend the plan's contribution formula.

There are three principle profit sharing allocation formulas:

- Pro rata – allocates a uniform contribution percentage amongst participants
- Cross Tested – permits different allocation rates based on employee class assuming nondiscrimination testing is passed.
- Integrated – provides a greater allocation on compensation earned in excess of the "integration level" (usually the Social Security taxable wage base)

If the profit sharing is funded after the close of the year, the plan can require participants to satisfy certain allocation conditions in order to receive a contribution. For example, the plan can require participants to work a certain number of hours during the plan year (up to 1,000 hours) and/or be employed on the last day of the year.
For more information, please see the Profit-Sharing Allocations Document.

VESTING SCHEDULE

Design Considerations:
401(k) participant deferrals and most safe harbor contributions must always be 100% immediately vested. Other contributions may be subject to a vesting schedule. When a participant terminates, they are only entitled to the vested portion of their account balance. Any unvested portion of their account must be forfeited to the plan. The plan can use these forfeitures to pay plan expenses or reduce future employer contributions. Generally, employers with transient work force favor lengthier vesting schedules in order to use forfeitures.

Choose one of the following vesting schedules:

- 100% immediate
- 4-year graded: 1 year-25%, 2 years-50%, 3 years-75%, 4 years-100%
- 5-year graded: 1 year-20%, 2 years-40%, 3 years-60%, 4 years-80%, 5 years-100%
- 6-year graded: 1 year-0%, 2 years-20%, 3 years-40%, 4 years-60%, 5 years-80%, 6 years-100%
- 3-year cliff: 1 year-0%, 2 years-0%, 3 years-100%,

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