NH HICKS

Legal and Pension Consultants

Selling Retirement Plans

August 29, 2018

Experience Counts

NH HICKS

Legal and Pension Consultants
www.nhhicks.com

Who we are:

NH HICKS is a multi-generational company with one goal: To provide the best service, value and price in the retirement plan industry.

Each client is assigned an administrator and a consultant. Our administrators have over 250 years of combined experience. This provides administrative support by which we can ensure that all plan administration is performed in a timely manner, with a high degree of expertise. Our consultants assure a presence for one-on-one meetings to design and explain a plan that best fits a company's business and its retirement goals.

What we do:

NH HICKS specializes in quality pension plan administration with local service at a reasonable cost. We are a fee only third party pension administration and consulting firm that does not handle any investments or insurance. We offer flexibility through individually designed retirement plans and self-directed retirement accounts. Self-directed gives clients freedom to choose their own investments.

We currently administer over 1000 retirement plans for our clients primarily throughout California and the western United States. Our goal is to provide excellent service to all clients by working closely with their tax and financial advisors.

Given the continuous stream of regulations, our firm and legal department are unsurpassed in experience and constantly updating and adapting to today's regulatory environment. Our annual plan review keeps our clients up-to-date with the best possible plan options along with keeping your plan in compliance with the latest IRS and DOL regulations.

www.nhhicks.com:

Our website is being updated daily with the newest regulations, common trends and articles from leaders in the financial industry. We have adapted to new technology, gone paperless, added value to our website and brought value through actively participating in numerous social media forums. You will also be able to find our complete staff biographies, email addresses, fees, forms, FAQ's and other vital information.

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SALES WEBINAR OUTLINE AND OVERVIEW

1. ASK THE QUESTION

2. GENERAL MARKET OVERVIEW
    - New Plans
    - Takeover: fees and services
    - Bundled v. Unbundled
    - Payroll Companies

3. DATA MINING
    - FreeErisa
    - Larkspur Data
    - Coaches Corner

4. FIDUCIARY MARKETING
    - Types of Fiduciaries
    - Disclosure Requirements
    - Review, Benchmark, Document
    - Fiduciary Checklist

5. PLAN DESIGN ISSUES
    - Include Spouse
    - Class Allocation
    - 401(k) Testing and Safe Harbors
    - Automatic Enrollment
    - Uni(k) v. SEP
    - Defined Benefit Plans 40-60-5 Rule
    - Cash Balance Plans
    - DB PPA Restatements

6. COMPLIANCE ISSUES & CORRECTIONS

7. HOW TO WORK WITH US
    - Proposal Request
    - Technical & Compliance Questions
    - Mobile Tool Box

RETIREMENT PLAN AREAS OF REVIEW

The goal is to maximize the value of the plan. It may be tax incentives for the owner, employees and employer use and satisfaction. Ease of administration or return on investments all while keeping costs in mind. By exploring these areas with your plan sponsor, a picture will develop on what more needs to be done for each client.

1. PLAN ADMINISTRATION
   - Fees and Offsets
   - Service and Calls Answered
   - Accuracy and ease of administration/IRS issues
   - Payroll Companies and Bundled Services
   - Restatement Process
2. PLAN DESIGN
   - Failed Tests
   - Too much cost for employees
   - Need a bigger or smaller deduction
   - Add a DB or redesign the 401(k) Safe Harbor/Combo
3. PLAN INVESTMENTS
   - Returns
   - Investment Selection
   - Internal Fees
   - Enrollment Meetings and Participation
   - Disclosure Benchmarking and Documenting Services

3(16) vs. 3(21) vs. 3(38) Fiduciary
What's the Difference?

"A retirement plan adviser can serve in with a 3(16), 3(21) or 3(38) fiduciary capacity, and in some cases, both capacities. The needs and desires of the plan sponsor typically dictate the specific arrangement, which is predicated upon the subject of risk mitigation versus risk avoidance."

3(16)
Named and acts as the Plan Administrator
Plan management and administration
Selection & monitoring
Evaluation of all plan fees
Delegation of responsibilities
Operation of the Plan

3(21)
States in writing co-fiduciary status
Assists in drafting IPS
Helps design initial fund menu
Provides monitoring
Recommends changes
Recommends mapping strategies
Provides Documentation

3(38)
States in writing co-fiduciary status
Drafts IPS
Builds initial fun menu
Monitors menu
Makes changes
Determines mapping strategies
Provides Documentation

Peeling Back the Fiduciary Layers and Unscrambling the Fiduciary Confusion.
Craig Freedman and Jeffrey D Zimon
http://www.401khelpcenter.com/401k/unscrambling_fiduciary_confusion_4.html#.Vct9L_lVhBc

FIDUCIARY DISCLOSURE CHECKLIST

FOR PLAN SPONSORS

As the plan sponsor of a retirement plan, it is your fiduciary responsibility to provide a variety of disclosure documents and notices to plan participants and their beneficiaries. There are also a number of steps you may need to take to ensure that your plan is in compliance. This checklist isn't a complete description of all plan requirements and shouldn't be used as a substitute for a complete review. In addition, not all of the items listed in Section 3 may apply to your plan.

Section 1: Mandatory Disclosure Checklist to Participants and Beneficiaries

- ☐ 404(a)(5) Participant-Level Fee Disclosures
- ☐ Summary Plan Description (SPD)
- ☐ Summary of Material Modifications (SMM)
- ☐ Summary Annual Report (SAR)
- ☐ Required Minimum Distribution (RMD) Notices
- ☐ Form 1099-R
- ☐ Mandatory Distribution/Automatic Rollover Notices (based on plan provisions)
- ☐ Special Tax Notice for Plan Distributions

Section 2: Annual Plan Checklist

- ☐ Contact service provider to begin the annual yearend testing process
- ☐ Hire independent auditor (applies to large plan – 100 or more participants)
- ☐ Conduct investment review
- ☐ Conduct a plan design review
- ☐ Search for lost or missing participants
- ☐ Confirm all government filings have been completed for the plan year

Section 3: 401(k) Special Plan and Notices Checklist (if applicable)

- ☐ Delivery of automatic enrollment notices
- ☐ Qualified Default Investment Alternative (QDIA) Notices
- ☐ Delivery of safe harbor 401(k) notices
- ☐ ADP/ACP refunds due for failing 401(k)/(m) discrimination testing
- ☐ Refunds for amounts contributed in excess of annual maximum deferral limit (402(g))

Notices should be kept in a prominent place to help ensure that disclosure is delivered on time and that you and your plan remain in compliance. The key dates for calendar-year retirement plans can be found in our **2018 Compliance Calendar** located on our website. Refer to it throughout the year to ensure that these plan requirements are completed in a timely fashion.

OUTLINE
401(k) PROFIT SHARING PLAN
(For plan years beginning in 2018)

401(k) / Roth
100% up to $18,500
(age 50 - $6,000 catch-up)

MATCH
Limit combined with
Profit Sharing

PROFIT SHARING
0-25%
eligible compensation

ALLOCATION
Proportional
SS Integration
New Comparability

ADP TEST
Usually NHC avg. + 2% = HC max avg.

<u>NHC %</u>
5
10
0
<u>5</u>
5% avg. + 2% = 7% max HC avg.

<u>Prior yr. method on first plan yr.</u>
3% assump. + 2% = 5%

TRUST

- Deposits not taxed to employee
- Tax deferred growth
- Protected from creditors

ELIGIBILITY
Age 21
1 yr.
1,000 hrs. yr.
Union emp.
30% NHC job class

VESTING
Effec. DOH or plan start
401(k) – 100%
PS / Match - usually:
0 – 20 – 40 – 60 – 80 - 100%

TOP-HEAVY TEST
Keys own 60% of trust
May require 3% PS contrib.

INDIVIDUAL LIMIT
100% up to $55,000
($61,000 if age 50)

SAFE HARBOR
Auto. pass ADP and top-heavy test
100% vested / includes term. emp. / exist 90 days
1) 3% PS contrib.
2) Match roughly $1 for $1 up to 4% pay (6% max)
3) Auto Enroll with 3½% match (vesting)

COMPENSATION LIMIT
$275,000

TABLE OF VARIOUS LIMITS AND THRESHOLDS

	2017	2018
COMPENSATION LIMIT - *plan year beginning*	270,000	275,000
DC ANNUAL ADDITION LIMIT - *plan year ending*	54,000	55,000
401(k) DEFERRAL LIMIT - *calendar not plan year*	18,000	18,500
CATCH-UP DEFERRAL LIMIT - *calendar not plan year*	6,000	6,000
HIGHLY COMPENSATED EMPLOYEE *Employee is considered highly compensated if owner in current or prior plan year. Compensation definition only required to be met in prior plan year.*		
1) Over 5% owner		
2) Any employee (may limit to top 20%)	120,000	120,000
3) Spouse or linear relation		
KEY EMPLOYEE *Employee is considered key if meets definition in current plan year.*		
1) Over 5% owner		
2) Over 1% owner	150,000	150,000
3) Officer (count at least 1)	175,000	175,000
4) Spouse or linear relation		
TAXABLE WAGE BASE	127,200	128,400

GENERAL OVERVIEW
401(k) PROFIT SHARING PLAN
(For plan years beginning in 2018)

A profit sharing 401(k) plan allows contributions through three different methods: employer profit sharing, matching and employee 401(k) salary deferrals.

Profit Sharing
Contrary to what the name may imply contributions to a profit sharing plan are not based on the profitability of the company. Contributions can be allocated based on the amount of each participant's compensation, job class, and/or age. The employer may vary the contributions year to year, ranging from 0 to 25% of eligible compensation, considering no more than $275,000 (2018 index) individually as compensation. The deadline for company contributions is the company's year-end tax return deadline including extensions.

For eligibility, the employer may be more lenient, but not stricter than excluding any employee: under age 21, less than 1 year of service (may be 2 years if 100% vested), under 1,000 hours per year and union employees. There may also be a class exclusion of 30% of the eligible non-highly compensated employees. Generally the only class excluded is employees not employed on the last day of the plan year. Once an employee meets the eligibility requirements they will typically enter the plan the first day of the plan year or seventh month (January 1 or July 1).

Employer contributions may come under a vesting schedule. Vesting is the employees' right to the employers' contribution. The most common schedule is 20% per year up to six years and goes 0-20-40-60-80-100%. Vesting may start at date of hire or for new plans, everyone may start at 0% vesting. The forfeitures under vesting may be reallocated to the remaining employees as a percent of compensation or used to reduce employer contributions.

401(k) / ADP Test
Employees may contribute 100% of compensation up to $18,500 (2018 index). All employee contributions will be 100% vested. There are no Federal or State income taxes on 401(k) contributions. The Actual Deferral Percentage (ADP) test must be passed where the average of the non-highly compensated employees is calculated and the highly compensated employees may contribute a slightly higher average. Either the current or prior years' non-highly compensated average should be elected at plan set up. In 2018, highly compensated is defined as: over 5% owner, compensation over $120,000 in 2017 (may limit to top 20%), or a spouse or linear relation.

Individuals age 50 or older may contribute an additional catch-up contribution of $6,000 in 2018. This will not be subject to any tests (ADP) or limits.

Employers may amend their plan to allow for Roth 401(k) contributions. These contributions are after-tax and therefore not taxed at retirement. Employees are not limited by the IRA compensation limits. Roth and regular 401(k) contributions are combined for testing and limited to $18,500 ($24,500 if age 50). Separate accounting is required for the Roth 401(k).

Employers may require an Automatic Enrollment provision with a 30 day employee notice. This usually deducts about 3-10% of compensation unless employees opt out within 90 days after the first salary deferral.

Match
The employer may offer a match, to increase participation, which can come under a vesting schedule. For example, 25¢ on the $1 up to 4% of pay. The match may be discretionary, as long as the employer allows the employees to change their 401(k) election if the match is changed.

Top-Heavy Test
If your plan is top-heavy (the total of the accounts of all key employees exceeds 60% of the total of the accounts of all employees) you are required to make a minimum contribution to non-key employees equal to the lesser of 3% of compensation or the highest contribution percentage rate for a key employee. You may also contribute the same percent for the key employees. This contribution will come under the vesting schedule. If the plan is top-heavy a contribution can be avoided if none of the key employees use the 401(k) in that year.

For 2018, key employee is defined as: over 5% owner, a >1% owner with compensation at or above $150,000, an officer with compensation at or above $175,000, or a spouse or linear relation.

Safe Harbor Options
An employer may choose to make a 100% vested contribution (except autoenroll) to the employees to pass the ADP and top-heavy tests. This must include eligible employees who terminate before the end of the year. New plans must be in place for at least 90 days. These options are:

1) 3% contribution to all eligible non-highly compensated employees (may also include highly compensated). 3% may do "double duty" counting as a basis for new comparability plans based on job class. Final notice due 30 days prior to plan year-end.
2) Match non-highly compensated employees $1 for $1 up to 3%, plus 50¢ on the $1.00 from 3% to 5% (may increase match to $1 for $1 up to 6% of pay and include highly compensated). Final notice due 30 days prior to plan year beginning.
3) Automatic Enrollment provision at 6% of compensation over 4 years and a $1 for $1 match up to 3 ½% with vesting after 2 years. Final notice due 30 days prior to plan year beginning.

Limits
No more than $275,000 (2018 index) may be considered as a basis of compensation. The most an individual may receive from the three sources (profit sharing, match and 401(k)) is 100% of compensation up to $55,000 ($60,000 if age 50).

The plan is still a profit sharing plan that has matching and 401(k) provisions within. Therefore, the employer match and profit sharing (401(k) excluded) plan contributions are limited to 25% of eligible compensation. Since this is an average of all employer contributions (401(k) excluded) some individuals may receive 100% while the total employer contribution is still under the 25% limit.

Investments
The plans are self-trusteed so the employer can choose any legal non-foreign investment. Typically, the employer will control the profit sharing contribution as it comes under the vesting schedule, and therefore may not yet be owned by the employee.

The employees usually control their own 401(k) contribution. Each employee can have their own segregated account where they can obtain their balance at any time as well as trade the account within a menu of funds. Employees should be given the choice of at least four investments, ranging from conservative to aggressive.

If you have any questions or would like to meet with a plan consultant, please call NH HICKS.

GENERAL OVERVIEW
DEFINED BENEFIT PENSION PLAN

What is a Defined Benefit Pension Plan (DB)?
A Defined Benefit Pension Plan (DB) is a qualified retirement plan where contributions to the plan are based on a participant's age and compensation. While eligibility and distribution options are the same as other qualified plans, an actuary calculates how much a company must contribute to meet the 'benefit defined' in the plan document.

How does a Defined Benefit Pension Plan work?
A DB plan provides a specific benefit at a participant's retirement age. The plan's actuary determines the value of that benefit in the form of a single sum. The DB plan must accumulate the funds to provide that benefit by the time the participant reaches retirement age. The plan accumulates funds through contributions and earnings. An older participant has less time until retirement and therefore less time for the plan to accumulate the funds required to provide his/her retirement benefit. Accordingly, the contribution on behalf of the older participant must be relatively high compared to those required for a younger participant.

Here is a simple example:

Participant	Age	Compensation	Annual Contribution	Benefit at Retirement
Owner	55	$275,000	$232,102	$1,907,455
Employee	21	$24,000	$2,521	$304,181

How can the IRS allow such disparity between the owners and employees contributions?

It only appears there is disparity between the benefits being provided to the two individuals in the example above. Actually, the plan is providing the same benefit to both participants. The plan is providing a similar retirement annuity as a percentage of income to both participants. The perceived disparity exists because the owner's compensation is much larger than the employee's compensation and the owner is older than the employee.

This fact pattern is not unusual among small employers. Accordingly, the DB plan can be an extremely powerful tool enabling the small business owner large contributions, while minimizing employee cost.

Flexibility
DB plans are much more flexible than the typical business owner might think. With a valid business reason, these Plans can be terminated in as few as three years after inception (assuming a minimal contribution of $5,000 per year). Proper plan design and effective funding strategies can provide owners with the flexibility they need to annually contribute their desired amount. If the investments under perform, contributions should increase and likewise contributions will decrease if funds exceed plan expectations. Furthermore, if an owner's contribution objectives change considerably, the plan can be amended to provide the needed additional flexibility.

Defined Benefit/Defined Contribution Combo Plan

A Defined Benefit/Defined Contribution Combination Plan (DB/DC) offers owners a two-plan approach to saving for retirement. Since the Pension Protection Act, many plans now allow owners an additional DC contribution and individual 401(k) salary deferrals of $18,500 ($24,500 if age 50).

A general example of a DB/DC Combo Plan is outlined below followed by an explanation of each combination types:

Participant	Age	Compensation	Defined Benefit Contribution	DB Carve Out Contribution
Owner	57	$100,000	$256,634	$260,277
Spouse	57	30,000	80,514	81,823
Employee 1	30	50,000	27,566	5,550
Employee 2	25	50,000	18,913	5,550

1. **Turbo-charge any Defined Benefit Plan (maximizes benefits for all participants)**
   In addition to the DB plan contribution, owners may contribute up to 6% into a DC plan. Individuals may also contribute an additional $18,500 pre-tax into a separate 401(k) Profit Sharing Plan ($24,500 if age 50). This will work well for an employer without employees; otherwise the plan must satisfy the 401(k) ADP test (a safe harbor may be used).
2. **Floor Offset (good for PBGC covered plans)**
   The Floor Offset establishes a DB Plan for owners and a DC Plan for employees. The benefits provided under the DB Plan are reduced by the value of the participant's account in the DC Plan. The DC Plan participants receive an estimated 5 – 10% of pay contribution.
3. **Super Combo (good for non-PBGC covered plans)**
   This design establishes both plans, and all participants receive benefits in both plans. In the DC Plan, 6% of total compensation is allocated using tiers; where the employees receive an estimated 7.5% and owners receive the remainder. In the DB Plan, owners receive the maximum benefit and the employees receive the smallest benefit permitted.
4. **Carve-Out (good for several owners with only 3 or fewer employees)**
   This design establishes a DB Plan for owners and a DC Plan for employees. It is a great way to maximize contributions for owners while controlling the employee cost. There are requirements which must be considered including at least 2 participants in the DB Plan, 40% of the participants are in the DB Plan, and there are no common participants between the DB and DC company contributions (except 401(k)).
5. **Cash Balance Plans (good for companies with multiple owners)**
   This is a DB Plan that specifies both the contribution to be credited to each participant account (such as a percent of pay or a flat dollar amount) and the investment earnings to be credited on those contributions. Each participant has an account that resembles those in 401(k) plan. The advantage of this DB Plan is you know what is going into the plan for each participant and what will be paid out when they leave. A 401(k) Plan may also be added.

If you have any questions or would like to meet, please call NH HICKS.

DEFINED BENEFIT CONTRIBUTIONS

Effective for Plan Years Ending in 2018
With NRA 62 and 5 Years of Participation

Ages/Comp	30,000	50,000	70,000	90,000	110,000	130,000	150,000	170,000	190,000
32	43,209	69,811	75,049	75,049	75,049	75,049	75,049	75,049	75,049
34	47,403	77,041	82,820	82,820	82,820	82,820	82,820	82,820	82,820
36	52,003	85,030	91,406	91,406	91,406	91,406	91,406	91,406	91,406
38	57,050	93,853	100,893	100,893	100,893	100,893	100,893	100,893	100,893
40	62,586	103,599	111,368	111,368	111,368	111,368	111,368	111,368	111,368
42	69,555	114,368	122,945	122,945	122,945	122,945	122,945	122,945	122,945
44	78,120	126,286	135,757	135,757	135,757	135,757	135,757	135,757	135,757
46	87,240	139,474	149,933	149,933	149,933	149,933	149,933	149,933	149,933
48	96,946	154,075	165,630	165,630	165,630	165,630	165,630	165,630	165,630
50	107,272	170,241	183,010	183,010	183,010	183,010	183,010	183,010	183,010
52	118,256	188,147	202,259	202,259	202,259	202,259	202,259	202,259	202,259
54	129,933	208,057	223,662	223,662	223,662	223,662	223,662	223,662	223,662
56	142,345	230,172	247,435	247,435	247,435	247,435	247,435	247,435	247,435
58	146,753	244,588	254,750	254,750	254,750	254,750	254,750	254,750	254,750
60	140,480	234,133	251,693	251,693	251,693	251,693	251,693	251,693	251,693
62	133,920	223,200	268,298	268,298	268,298	268,298	268,298	268,298	268,298
64	127,046	211,745	285,952	295,575	295,575	295,575	295,575	295,575	295,575

For Owner-Only Plans increase the amount shown by 1.25 due to the granting of past service.

Comp is W-2 wages, or self-employment income less self-employment tax deduction and pension deduction for the self-employed and his/her share of any employee cost.

Contribution amounts may be less when using Floor Offset, Carve Out or Super Combo designs.

Owner Only – Defined Benefit Plans

Owner only Defined Benefit Plans (DB) are a great way to for sole practitioners and other owner only businesses to create big contributions, tax deductions and savings for retirement. While a traditional 401(k) or SEP is limited to $55,000 annually, contributions in a DB plan can go as high $250,000 per year.

Why Choose an Owner Only Defined Benefit Plan?

- **Easy to Setup and Operate.** These plans are easy to setup and operate. Our trained consultants and administrators can help you every step of the way.

- **Tax Savings.** Get immediate tax savings. Contributions are tax deductible and grow tax-deferred.

- **Larger Contributions.** For example:

  – 40 year old making $90,000 can make a $110,000 contribution.
  – 50 year old making $90,000 can make a $180,000 contribution.
  – 60 year old making $90,000 can make a $250,000 contribution.

  If you need an estimate, view our Defined Benefit Contribution chart here. We will prepare a proposal reflecting maximum contributions available at no cost.

- **Access to Your Money.** You can borrow from your account balance, and the loan is tax free, as long as it is paid back in a timely manner.

- **Self-Directed Investments.** You and your financial consultant choose the investments that are right for you within the law. Beware of self-dealing rules. Avoid prohibited transactions and issues of UBTI.

- **IRS Approved Documents.** We use prototype plan documents that have been pre-approved by IRS.

- **Inexpensive.** Less actuarial reporting allows us to keep fees lower than DB plans with employees.

- **Add to an Existing Plan.** A Defined Benefit Plan may be added to an existing 401(k) or Defined Contribution Plan to increase annual deductions.

- **Technical and Legal Answers.** We are here to help and answer questions regarding all aspects of the operation of your plan.

How Much Does It Cost?

- Installation/Documents: $1,300
  (Takeover - no charge)
- Annual Administration: $1,500

Cash Balance Plan

A cash balance retirement plan is a defined benefit plan that gives the appearance of operating more like a 401(k) plan than a traditional defined benefit plan.

How a Cash Balance Plan Works

Like a 401(k) plan, each participant has an account and his or her benefit is based on the value of the account. However, unlike a 401(k) plan, a cash balance plan account is only hypothetical. It exists only on paper and is for recordkeeping purposes only. No assets are segregated in the account and the participant does not direct the investment of the account.

The plan's formula provides a contribution amount that will be credited to the participant account. There are a variety of ways the amount can be calculated, but the most common are a fixed dollar amount (such as, $10,000 a year) or a percentage of compensation (such as, 5% of compensation). Usually, the amount is credited to the account annually at the end of the plan year.

The account is then credited annually with "interest" based on a rate specified in the plan document. The rate can be a fixed rate of interest or tied to a market index. The interest credit is guaranteed and is independent on the plan's investment performance. Currently this rate is 5%.

The accounts are maintained by the plan's actuary, who generates annual participant statements. The benefit payable to a participant is expressed as a lump-sum amount – a cash balance in an account. That's different from a traditional defined benefit plan, which expresses its benefit as an annuity payable in the future for the participant's lifetime.

Actual Deductible Contributions

The actual contribution to the cash balance retirement plan determined by the plan's actuary. Typically, the contribution isn't the same as when calculated using the plan's formula. If the actual investment return is particularly poor over a period of time, the actual contribution may need to be higher.

The Advantages of Cash Balance Plans

- If the participant terminates employment, he or she will be entitled to a single sum payment. That participant could then roll that benefit to an IRA or another qualified plan. By having a known dollar amount at termination or retirement, participants are able to better plan for their retirement.
- The company is only required to earn the established interest rate. Any amounts earned over this rate will reduce future contributions.
- Paired with 401(k) plan is an effective means to control employee costs, while maximizing benefits for the owners.

What must a client be ready for if they adopt a cash balance plan?

- Contributions are required each year.
- Once the contribution has been earned for the year it must be funded, even if the participant has terminated service.
- Accounts must be fully vested after three (3) years of service. There is no graded vesting schedule.
- Plans may be established on a volume submitter basis, which will help reduce start up costs.

Cash Balance plans can enhance the effectiveness of an employer's retirement program, but they must be designed thoughtfully and carefully administered. NH Hicks can provide these services.

PPA Restatement
Services and Fees

All Defined Benefit Plans must be amended and restated between now and April 30, 2020. If you need assistance with this, NH HICKS can help.

Our PPA restatement services include:

1. A review of your current plan documents and preparation of any required amendments to get the old document in compliance.

2. Consulting on options including the pros and cons of different plan designs.

3. A new PPA plan and trust document and all participant disclosures including the Summary Plan Description required by law.

4. If you don't require our TPA services you will become a Document Only client of NH HICKS and will be informed of future amendments and changes that may be required.

Our fees for this service are:

$1,250 Defined Benefit Plan
$1,400 Cash Balance Plan
$ 850 Owner Only Plans

Interested? We will need you to complete our PPA Restatement Checklist and provide us with your last administration or complete our Proposal Request form.

Now is the perfect opportunity to add or revise your current plan to better fit your business needs. It could be eligibility, vesting or adding a safe harbor provision.

If you have a defined benefit plan and would like to make an additional contribution, adding a Defined Contribution plan might better suit your needs.

Contact Samantha Nethington at (530) 891-4975 or snethington@nhhicks.com to get started today.

Compliance Issues & Corrections

The Internal Revenue Service and Department of Labor offer a comprehensive system of correction programs to sponsors of 401(a), 403(b) and Simplified Employee Pension (SEP) plans. Each program is designed to correct specific problems.

DOL Delinquent Filer Program (DFVC):

- Failure to file Form 5500.
- The DOL fees for small plans (fewer than 100 participants) are $10 per day after the due date, not to exceed $750 per return, with a maximum of $1,500 for multiple late returns. The DOL fees for large Plans (100 or more participants) are $10 per day after the due date, not to exceed $2,000 per return, with a maximum of $4,000 for multiple returns.
- NHI will charge annual administration fees plus $500 for DOL submission.

IRS Voluntary Correction Program (VCP):

- Failure to timely adopt or amend plan documents.
- The IRS fees are based on the number of participants and type of failure.
- NHI will charge document fees plus $500.

IRS Self Correction Program (SCP):

- Operational Failures such as ADP/ACP tests, top-heavy, 415 limits, and minimum distributions.
- There is no IRS fee.
- NHI will charge a fee of $500.

IRS 5500-EZ Late Filer Relief Program:

- One-participant plans covering 100% owner or a partnership, and their spouses
- IRS fee is $500 per delinquent return, up to $1,500 per plan.
- NHI will charge a fee of $250 per return.

DOL Voluntary Fiduciary Correction Program (VFCP):

- Late deposit of 401(k) or employer contributions.
- There is no DOL fee.
- NHI will charge a fee up to $1,500 (The client could incur additional NHI fees depending on the severity of the violation and the amount of time required.)

Determination of Controlled Groups or Affiliated Services Groups:

- If research needs to be completed to determine whether the companies are affiliated and/or controlled, our fee is $500 for a letter. If we cannot determine whether the companies are affiliated and/or controlled, NHI will charge $2,000 to file for an IRS determination letter. There is no user fee if the Plan is filed within the first 5 plan years unless there are over 100 employees in the combined businesses or there are no eligible non-highly compensated employees. If a user fee is required, the user fee amount is $1,000 if no testing or $1,800 with testing.

Plan Audit Services:

- Our fees are $200 per hour.

We will be charging $500 for a review and recommendation letter. These fees will be applied to NHI compliance fees, if we proceed with a correction program.

NH HICKS

FEES FOR SERVICES

<u>401(k) Profit Sharing Plans:</u>
Installation/Documents (takeover no charge) ....$1150 + $10 per eligible participant
Administration ....$1350 + $30 per eligible participant

<u>Defined Benefit Plans:</u>
Installation/Documents (takeover no charge) ....$1350 + $10 per eligible participant
Administration including actuarial certification................................$2000 + $50 per eligible participant

<u>DB/DC Combination Plans*:</u>
Installation/Documents (takeover no charge) ....$2700 + $20 per eligible participant
Administration including actuarial certification................................$3450 + $50 per eligible participant

*Additional Fees will be added for the installation and administration of Cash Balance Plans

<u>Owner Only –401(k):</u>
Installation/Documents (takeover no charge) $550
Administration (assets less than $250,000)....................................$300
Administration (assets $250,000 and more)...................................$550

<u>Owner Only – Defined Benefit Plan:</u>
Installation/Documents (takeover no charge) $1300
Administration including actuarial certification................................$1500

<u>Owner Only – DB/DC Combination Plans:</u>
Installation/Documents (takeover no charge) $1700
Administration including actuarial certification................................$1900

<u>Special Transactions:</u>

Defined Contribution Plans
Comparability allocation (multiple runs) $250
Amendments, trust accounting or 5500 audit consulting ....$125 per hour
Distributions or extensions (annual loan $35) ....$ 95
QDRO or RMD...$225

Defined Benefit Plans
PBGC Reporting...$225
Trust accounting or 5500 audit report ....$ 95 per hour
Distributions or amendments $225
Loans (annual loan $35) or Extensions...$ 95
PPA restatements ($850 owner only, $1400 cash balance) $1250

All of our fees are offset by all third party payments we received from investment companies.