

NH HICKS

Legal and Pension Consultants

QUALIFIED PLANS IN TODAY'S ENVIRONMENT

Defined Contribution Plans

2018



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 qualified retirement plans throughout California, Oregon, Washington, Colorado, Utah and Idaho. 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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PLAN DESIGN HIGHLIGHTS FOR DEFINED CONTRIBUTION PLANS

- Eligibility – 30% class exclusion
- Include Spouse
- New comparability plans – older owners
- 401(k) testing – safe harbors
- Uni(k) vs. SEP
- Defined Benefit 40-60-5 Rule
- Roth 401(k)
- Fee Disclosure and Offsets

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

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

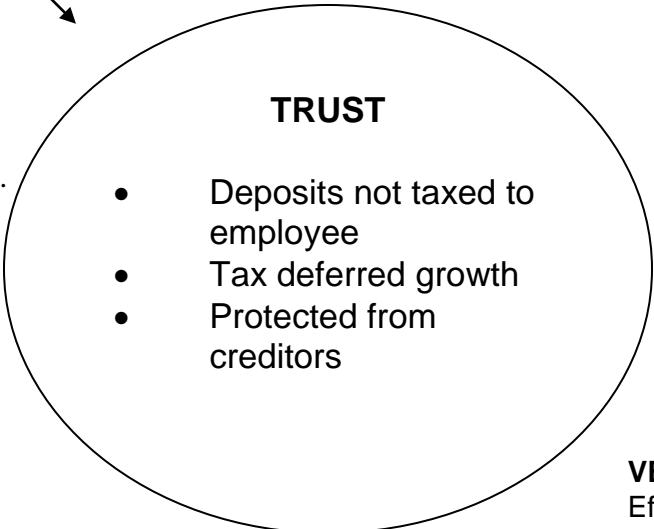
NHC %
 5
 10
 0
 5
 5% avg. + 2% = 7% max HC avg.

Prior yr. method on first plan yr.
 3% assump. + 2% = 5%

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

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)



ALLOCATION
 Proportional
 SS Integration
 New Comparability

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%

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

COMPENSATION LIMIT
 \$275,000

TABLE OF VARIOUS LIMITS AND THRESHOLDS

	2018	2019
<u>COMPENSATION LIMIT</u> - <i>plan year beginning</i>	275,000	280,000
<u>DC ANNUAL ADDITION LIMIT</u> - <i>plan year ending</i>	55,000	56,000
<u>401(k) DEFERRAL LIMIT</u> - <i>calendar not plan year</i>	18,500	19,000
<u>CATCH-UP DEFERRAL LIMIT</u> - <i>calendar not plan year</i>	6,000	6,000
<u>HIGHLY COMPENSATED EMPLOYEE</u>		
<i>Employee is considered highly compensated if owner in current or prior plan year. Compensation definition only required to be met in prior plan year.</i>		
1) Over 5% owner		
2) Any employee (may limit to top 20%)		
3) Spouse or linear relation		
	120,000	125,000
<u>KEY EMPLOYEE</u>		
<i>Employee is considered key if meets definition in current plan year.</i>		
1) Over 5% owner		
2) Over 1% owner		
3) Officer (count at least 1)		
4) Spouse or linear relation		
	150,000	150,000
	175,000	180,000
 <u>TAXABLE WAGE BASE</u>	 128,700	 132,900

RETIREMENT PLAN COMPARISONS

(For plan years beginning in 2018)

Assumptions		Profit Sharing Plans			
Employee Age	Salary	25% Salary Proportional	Age Weighted	New Comparability	401(k)
* 55	\$50,000	\$12,500	\$31,098	\$28,750	\$24,500
50	50,000	12,500	20,681	6,000	24,500
* 45	50,000	12,500	13,754	28,750	18,500
40	50,000	12,500	9,147	6,000	18,500
35	50,000	12,500	6,083	6,000	18,500
30	50,000	12,500	4,046	6,000	18,500
25	50,000	12,500	2,691	6,000	18,500
	\$350,000	\$87,500	\$87,500	\$87,500	

* Assumes employees age 55 and 45 are owners.

The figures illustrated are dependent on many factors. Please consult with qualified advisors to determine applicable limits.

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 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 auto-enroll) 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 (\$61,000 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-trusted 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.

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FEES FOR SERVICES

401(k) Profit Sharing Plans:

Installation/Documents (takeover no charge)	\$1150 + \$10 per eligible participant
Administration	\$1350 + \$30 per eligible participant

Defined Benefit Plans:

Installation/Documents (takeover no charge)	\$1350 + \$10 per eligible participant
Administration including actuarial certification	\$2000 + \$50 per eligible participant

DB/DC Combination Plans:

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

Owner Only –401(k):

Installation/Documents (takeover no charge)	\$550
Administration (assets less than \$250,000).....	\$300
Administration (assets \$250,000 and more).....	\$550

Owner Only – Defined Benefit Plan:

Installation/Documents (takeover no charge)	\$1300
Administration including actuarial certification	\$1500

Owner Only – DB/DC Combination Plans:

Installation/Documents (takeover no charge)	\$1700
Administration including actuarial certification	\$1900

Special Transactions:

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 consulting.....	\$125 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.