

NH HICKS

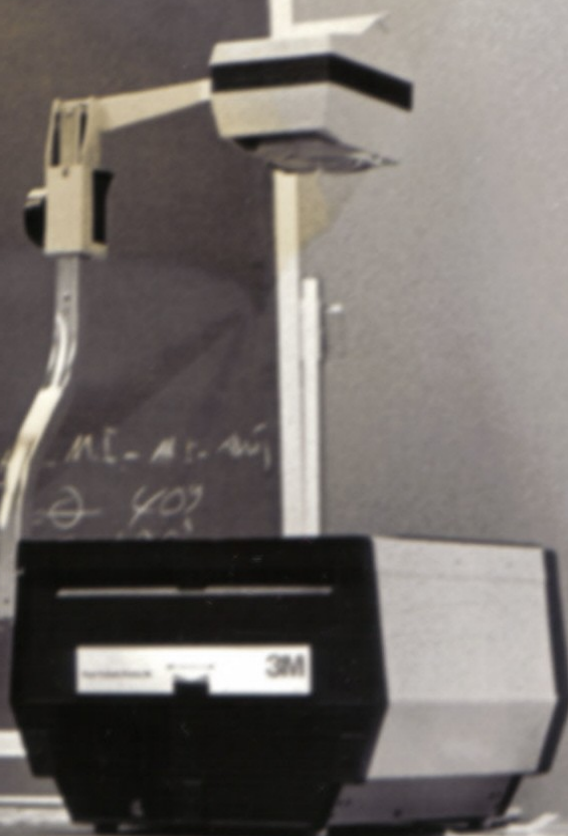
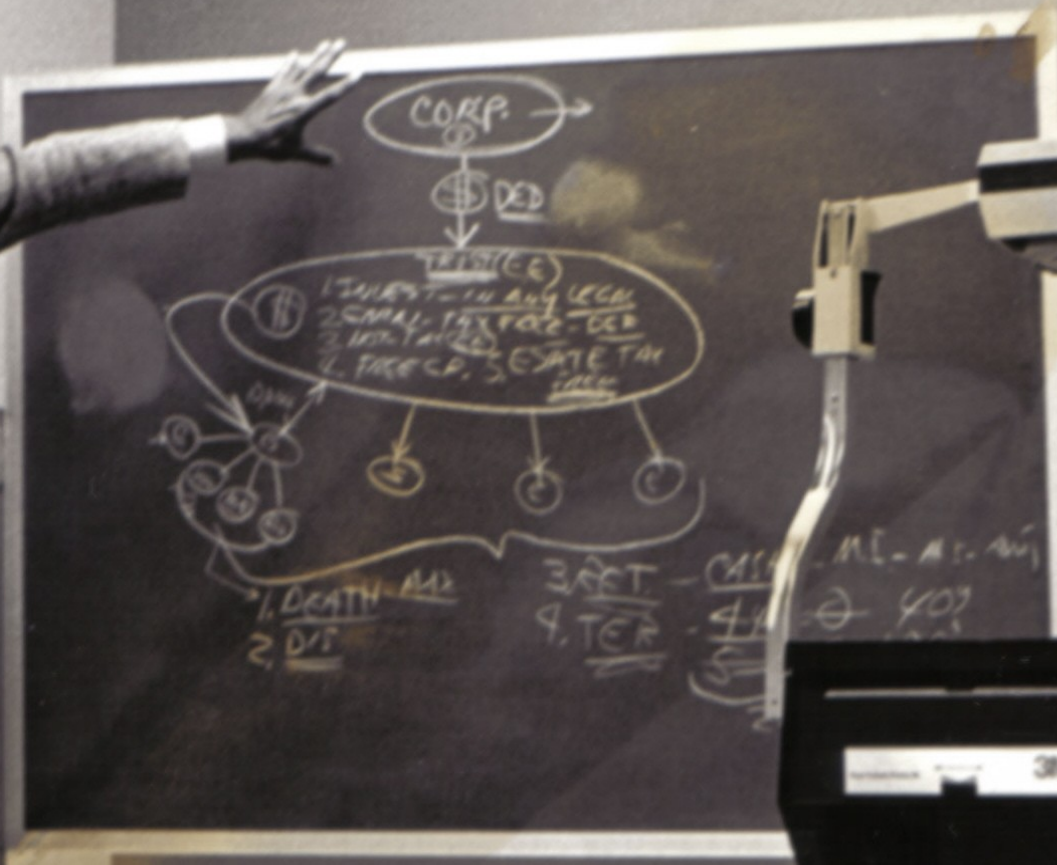
Legal and Pension Consultants

Qualified Plans in Today's Environment

Defined Benefit Plans

2019

Experience Counts



Design Highlights

- Eligibility – 30% class exclusion
- Include Spouse
- Defined Benefit 40-60-5 Rule
- General Assumptions
- Defined Benefit Contributions
- One Person DB Plan
- Add Uni(k)
- Combination Plans
- Plan Comparisons
- Amendments Prior to Benefit Accruals
- Cash Balance Plans
- PBGC
- DB restatements

DEFINED BENEFIT

DEFINED CONTRIBUTION

TRUST

- Deposits not taxed to employee
- Tax Deferred Growth
- Protected from creditors



TRUST

ELIGIBILITY

- Age 21
- 1 Year
- 1000 hours a year
- Union Employees
- Non Resident Aliens
- 30% NHC job class

ENTRY DATES

VESTING

Distributions

100% VESTED UPON

- Death
- Retirement

TERMINATIONS

LOANS



TRUST

Defined Benefit Plan

General Assumptions

Age 48

NRA 62

Life Exp. 85

Comp. \$225,000

Fund \$2,852,000

Pay \$225,000

Requires \$153,328 contribution

- Interest rates
- Retirement age
- Investment selection
- Funding range
- Funding flexibility
- Overfunding
- Unable to fund
- DB Chart

Defined Benefit Contributions

Ages/Comp	30,000	50,000	70,000	90,000	110,000	130,000	150,000	170,000	190,000
32	47,673	72,268	81,302	81,302	81,302	81,302	81,302	81,302	81,302
34	52,030	79,767	89,739	89,739	89,739	89,739	89,739	89,739	89,739
36	56,785	88,064	99,073	99,073	99,073	99,073	99,073	99,073	99,073
38	61,975	97,244	109,401	109,401	109,401	109,401	109,401	109,401	109,401
40	67,640	107,406	120,830	120,830	120,830	120,830	120,830	120,830	120,830
42	74,398	118,658	133,490	133,490	133,490	133,490	133,490	133,490	133,490
44	82,367	131,141	147,532	147,532	147,532	147,532	147,532	147,532	147,532
46	90,891	144,988	163,111	163,111	163,111	163,111	163,111	163,111	163,111
48	100,007	160,358	180,404	180,404	180,404	180,404	180,404	180,404	180,404
50	109,755	177,424	199,603	199,603	199,603	199,603	199,603	199,603	199,603
52	120,176	196,375	220,922	220,922	220,922	220,922	220,922	220,922	220,922
54	131,316	217,472	244,655	244,655	244,655	244,655	244,655	244,655	244,655
56	144,550	240,919	271,034	271,034	271,034	271,034	271,034	271,034	271,034
58	149,009	248,349	279,392	279,392	279,392	279,392	279,392	279,392	279,392
60	142,579	237,631	267,334	267,334	267,334	267,334	267,334	267,334	267,334
62	135,932	226,555	295,099	295,099	295,099	295,099	295,099	295,099	295,099
64	128,973	214,956	300,937	325,757	325,757	325,757	325,757	325,757	325,757

- Contributions based on NRA 62 and 5 Years of Participation.
- 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 a DB/DC Combo design.

Defined Benefit Plan

	Age	Comp	DB
Orville	63	\$280,000	\$212,000
Wilbur	25	50,000	4,000
Richthofen	28	50,000	6,000
Amelia	40	50,000	14,000
Doolittle	45	50,000	22,000

DB Combination Plan

**40 – 60 – 5
RULE**

DB Floor Offset

	Age	Comp	DB	DB	7.5% PS	401(k)
Orville	63	280,000	\$212,000	\$210,000	\$21,000	\$25,000
Wilbur	25	50,000	4,000	-0-	3,750	---
Richthofen	28	50,000	6,000	-0-	3,750	---
Amelia	40	50,000	14,000	-0-	3,750	---
Doolittle	45	50,000	22,000	-0-	3,750	---

\$44,000 more for owner, while \$31,000 less for employees =
\$75,000 DIFFERENCE

Requires:

- Minimum employee contribution of 5–6%
- Good for PBGC covered plans

DB Plan Comparison

- DB + 401(k)
 - Maximizes benefits for everyone
- Floor Offset
 - Good for PBGC covered plans
- Super Combo
 - Good non-PBGC covered plans
- Carve out
 - Good for 2+ owners and 3 or less employees
- Cash balance
 - Contributions as % of pay or flat \$ amount

Plan Comparisons

	25% SEP
Owner 57 \$100,000	\$25,000
Spouse 57 \$30,000	\$7,500
Jack 30 \$50,000	\$12,500
Jill 25 \$50,000	\$12,500
ER Cont EE Cont ER %	\$32,500 \$25,000 57%

Plan Comparisons

	25% SEP	3% Match SIMPLE
Owner ⁵⁷ \$100,000	\$25,000	\$3,000 +16,000
Spouse ⁵⁷ \$30,000	\$7,500	\$900 +16,000
Jack ³⁰ \$50,000	\$12,500	\$1,500 +13,000
Jill ²⁵ \$50,000	\$12,500	\$1,500 +13,000
ER Cont	\$32,500	\$35,900
EE Cont	\$25,000	\$3,000
ER %	57%	92%

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS
Owner ⁵⁷ \$100,000	\$25,000	\$19,000	\$37,000 +25,000
Spouse ⁵⁷ \$30,000	\$7,500	\$16,900	\$11,000 +25,000
Jack ³⁰ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000
Jill ²⁵ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000
ER Cont	\$32,500	\$35,900	\$98,000
EE Cont	\$25,000	\$3,000	\$5,000
ER %	57%	92%	95%

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS	DB
Owner ⁵⁷ \$100,000	\$25,000	\$19,000	\$62,000	\$256,634
Spouse ⁵⁷ \$30,000	\$7,500	\$16,900	\$36,000	\$80,514
Jack ³⁰ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000	\$27,566
Jill ²⁵ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000	\$18,913
ER Cont	\$32,500	\$35,900	\$98,000	\$337,114
EE Cont	\$25,000	\$3,000	\$5,000	\$46,479
ER %	57%	92%	95%	88%

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS	DB	DB Combo
Owner ⁵⁷ \$100,000	\$25,000	\$19,000	\$62,000	\$256,634	\$260,277 +25,000
Spouse ⁵⁷ \$30,000	\$7,500	\$16,900	\$36,000	\$80,514	\$81,823 +25,000
Jack ³⁰ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000	\$27,566	\$5,550 +19,000
Jill ²⁵ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000	\$18,913	\$5,550 +19,000
ER Cont	\$32,500	\$35,900	\$98,000	\$337,114	\$392,100
EE Cont	\$25,000	\$3,000	\$5,000	\$46,479	\$11,100
ER %	57%	92%	95%	88%	97%

Cash Balance Plans

- A DB Plan that looks like a DC Plan.
- Key Features: Individual Accounts, Annual Employer Contribution, Interest Credit, Portable Accounts & Actuary.
- Disadvantages
- Client's Commitment:
 - Annual Contributions
 - Vesting 100% after 3 service years

PBGC

- The Pension Benefit Guaranty Corporation was established by ERISA as a federal corporation.
- Financed largely by insurance premiums paid by companies that sponsor pension plans.
- All defined benefit plans are covered except:
 - Plans covering only owners,
 - Professional employer plans covering fewer than 26 employees,
 - Governmental, Non-electing church, and Indian tribal plans.
- Professional Service Employer includes Physicians, Dentists, Chiropractors, Attorneys, CPAs, Public Engineers, Architects, Draftsmen, Actuaries and others listed in ERISA §4021(c)(2)(B).

PPA Restatement

- All Defined Benefit Plans must be amended and restated between now and April 30, 2020.
- Our services include:
 - Review of current plan design through plan documents and latest actuarial report.
 - Provide plan redesign options.
 - Prepare new plan documents, administrative forms and procedures manual, and participant disclosures including Summary Plan Description.

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Need More Information

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