



or 401(k) Plans



Results Oriented, Driven by Passion, Guided by Expertise!



Because You're Different

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- ▶ The information should not be relied upon as a substitute for legal, accounting, tax or other professional advice
- ▶ Please contact your employment attorney for legal advice



Agenda



1. 401(k) Basics
2. Discrimination Testing
3. Safe Harbor
4. 401(k) Components
5. Types of 401(k) plans
6. Annual Review
7. CalSavers

401(K) Basics

► Eligibility and Entry

- Employees must be at least 18
- Employee must complete 1 year of service
- Work at least 1,000 hours during a calendar year
- Entry dates into the plan either
 - Quarterly, semiannually or annually

► Employee Salary Deferral

- 1%-100% of employee's salary
- Maximum deferral for 2021 is \$19,500
- \$6,500 catch-up provision for employees over 50

401(K) Basics

▶ Vesting

- ▶ Employees are always 100% vested in their deferral portion
- ▶ Employees are vested in employer contributions on a vesting schedule from 0% in year 1 to 100% in year 5 or 6
- ▶ Employees are immediately 100% vested employer contributions in safe harbor plans

401(K) Basics

- ▶ When employees receive plan benefits
 - Normal Retirement Age (usually 70 1/2)
 - Early Retirement (age and years of service requirements)
 - Death
 - Permanent Disability
 - Termination of employment
 - Financial hardship withdrawals permitted
 - Loan Provisions usually included

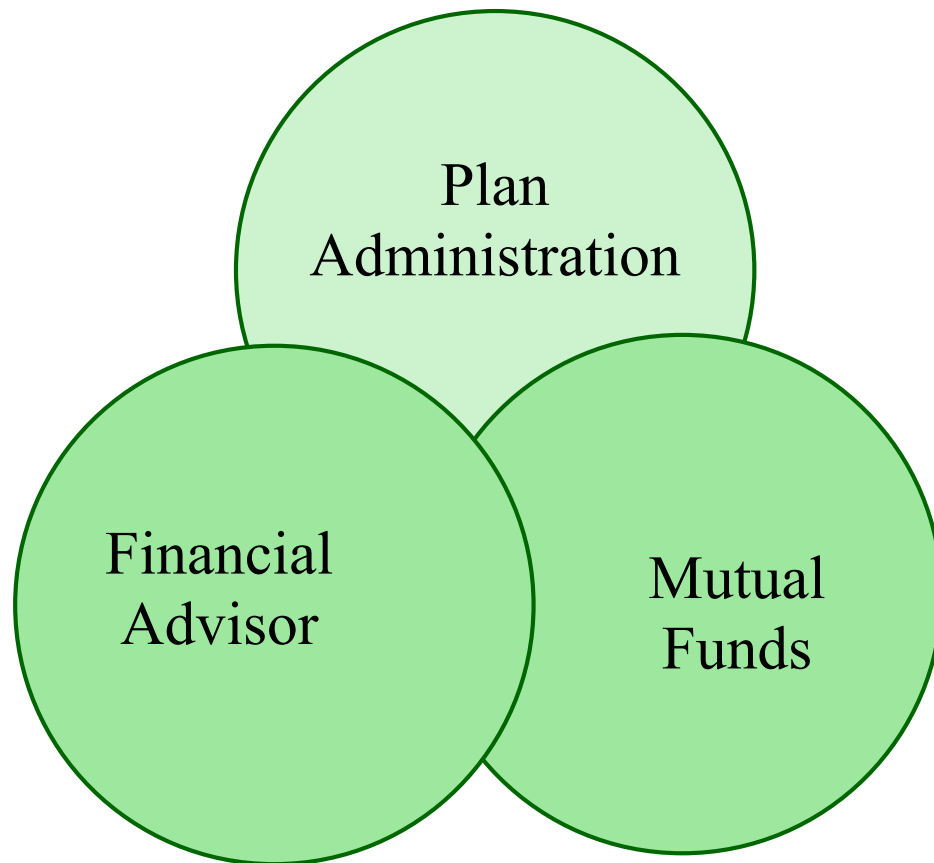
401(k)s Tested for Discrimination

- ▶ Top heavy test
 - ▶ If key employees assets are greater than 60% of total plan, the plan is top heavy
- ▶ Actual Deferral Percentage (ADP) Test
 - Uses an average percentage of the non-highly compensated employees' deferral to limit the amount highly compensated employees may defer
- ▶ Actual Contribution Percentage (ACP) Test
 - Uses an average percentage of the matching contribution made to non-highly compensated employees to limit the matching contribution to highly compensated employees

Safe Harbor Plans

- ▶ Safe Harbor Plans help alleviate top-heavy issues
 - Basic Match
 - Enhanced match
 - Non-elective contribution
 - Owner's can contribute much more

401(k) Plan Components



Types of 401(k) Plans

► Bundled 401k plan

- Third party administrator & fund managers are the same company

► Unbundled 401k plan

- Plan administration performed by Third Party Administrator (TPA)
- Fund manager separate company
- Financial advisor independent

Annual 401(k) Plan Review

- Review plan: Does it still fulfill company's objectives, financial requirements and employee needs
- Review changes in state or federal law that may affect the plan, the employer or employees
- Review Investment Policy Statement, hold required annual Investment Committee meeting and make sure client will have a report for their files.

What is CalSavers?

- ▶ California's new retirement savings program
- ▶ Funded by employees' savings
- ▶ Participation is voluntary
- ▶ Employees can opt out at any time
- ▶ Private-sector financial firm administers the plan
- ▶ Public board oversees the program
- ▶ Companies with 50+ employees must join program before June 30, 2021, under 50 June 30, 2022

What is CalSavers?

- ▶ Roth IRA – After Tax Dollars
- ▶ Current limits \$6,000 annually
- ▶ Over age 50 an additional \$1,000 Catch-up
- ▶ There are income limits to how much you can invest
- ▶ No waiting period
- ▶ No vesting period

The Employer

- ▶ Has no control or authority
- ▶ Has no liability or responsibility
- ▶ Add employees to CalSavers
- ▶ Submit employee contributions to CalSavers via payroll deduction
- ▶ Will not receive any compensation or tax-deductions for the program
- ▶ May not provide tax, legal, investment or financial advice or guidance
- ▶ Will not manage personal information including beneficiaries

The Employee

- ▶ Employees must be Age 18 or older
- ▶ Automatic Enrollment at 5% of your income
- ▶ Automatic Escalation (1% annually up to 8%)
- ▶ Choose Investment Options (default option Target Date Funds)
- ▶ Designate Beneficiaries
- ▶ Distribution Requests via Phone or Online
- ▶ May Make Rollovers out of CalSavers into Roth IRA
- ▶ One CalSavers Account

The Employee

- ▶ CalSavers contacts employees directly
- ▶ Automatic enrollment
- ▶ Employee can opt-out
- ▶ No action in first 30 days means auto enrollment
- ▶ Must contact CalSavers to make changes
- ▶ Annual costs approximately \$0.83-\$0.95 for every \$100 invested

Investment Options

- ▶ First \$1,000 in CalSavers Money Market Fund
- ▶ Additional contributions in vested in CalSavers Target Retirement Fund based on your age or
- ▶ Choose your own funds including:
 - Target Retirement Fund
 - Core Bond Fund
 - Global Equity Fund
 - Sustainable Balanced Fund (environmental, social, governance)
 - Money Market Fund

Investment Options

- ▶ Target Retirement Fund
- ▶ Core Bond Fund: State Street Agg Bond Index Fund
- ▶ Global Equity Fund: State Street All Cap Equity ex-US Index Fund and Equity 500 Index Fund
- ▶ Sustainable Balanced Fund (environmental, social, governance): BNY Mellon
- ▶ Money Market Fund: State Street US Government Money Market Fund

CalSavers Role

- ▶ Client Services
 - 855.650.6916 Employers
 - 855.650.6918 Employees
 - clientservices@calsavers.com
- ▶ Client Education
- ▶ Administration and Management of Program
- ▶ Fund Management by Public Board with CA State Treasurer as Chairperson

Employers Role

- ▶ Register for CalSavers program
- ▶ Collect email addresses from employees
- ▶ Upload email addresses to CalSavers website
- ▶ Add new eligible employees
- ▶ Facilitate payroll deduction
- ▶ Deduct and remit contributions to CalSavers



Questions?



Because You're Different

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