

What is a Pooled Employer Plan (“PEP”)?

The WTIA offers a Pooled Employer Retirement Plan. A PEP serves many employer groups through a standardized feature set that includes:

- One pricing model
- Base plan design with flexible design options
- Investment menu
- Plan fiduciary and trustee: HR Benefits Inc. is the plan administrator and a named fiduciary under ERISA. Charles Schwab is the Trustee, responsible for collecting contributions and holding plan assets
- Curated service team: advisor, record keeper, TPA, and relationship manager
- Investment advice for participants available in person and by phone
- Audit, 5500, and other compliance reporting

How is a PEP different from a stand-alone 401(k) plan?

A stand-alone 401(k) plan serves one employer group, does not contain many PEP features, and the employer is the ERISA fiduciary. The employer must design the plan, select the service team, and comply with all reporting and annual audit (if applicable) requirements.

Why choose a PEP over a stand-alone plan?

The PEP’s multiple value propositions include:

Management services: We serve as your point person to walk you through plan design, participant enrollment, remind you of important deadlines, support you through compliance filings, and answer administrator and participant questions.

Cost-effective plan: The PEP is affordable for all employer sizes and very cost-effective for groups of over 100 employees. As an example, the PEP saves large employer groups between \$10,000 - \$25,000 in annual audit costs.

Turnkey solution: The PEP comes pre-built with some ability to customize.

Rich feature set: The PEP includes an administrator and investment advisor for your employees.

Shared fiduciary responsibility: HR Benefits Inc. serves as a fiduciary under ERISA and is responsible for the fiduciary bond and insurance requirements.

What companies are eligible to participate?

The PEP can serve any employer in the United States with one or more employees with a technology focus.

Is the PEP the right solution for you?

The PEP serves employers of any size.

What are the monthly plan costs and who pays them?

Plan costs can be paid by the employer, participants, or a combination of both. It is most common for employers to pay the entire cost, or pay only the base fee. Our fees are transparent from the start, which means there are no surprise costs related to changing plan design features, onboarding new participants, etc. Contact us for a quote specific to your company's employee population and retirement plan needs.

Is employee education included in the price of the PEP?

Yes, the PEP is a comprehensive retirement program with many features, including education and advice by phone. Annually, each employer receives an education session conducted onsite or online.

What investments are available to PEP participants?

The PEP has a diverse menu of investment options, including target date funds, low-cost index funds, mutual funds, and socially responsible funds. For a complete list of these options, log into your administrative account.

What is the size of the 401(k) Tech Collective Plan?

As of December 31, 2022, the plan has 44 members and over \$50 million in assets.

Who serves as the PEP's registered investment advisor?

SCS Retirement, a Bellevue-based firm, performs two core services—managing the investment menu and providing investment advice and guidance to participants. SCS and the PEP have a unique relationship, as compared to stand-alone plans. SCS is a registered investment advisor (RIA), is local, and executes the investments directly, rather than simply serving as a sales advisor implementing recommendations from an out-of-state team.

How do I contact the plan's service providers?

- WTIA: 401k@washingtontechnology.org
- Northwest Plan Services (Administrator): (888) 700-0808
- SCS Retirement: (425) 454-4015

How do I join the PEP?

The WTIA will guide you through the following steps:

1. Designing the plan
2. Signing the necessary forms
3. Sending a sample payroll file and establishing a portal link
4. Signing the ACH Form and establishing EFT with the PEP's asset custodian, Charles Schwab Bank
5. Conducting an online or in-person enrollment presentation

If you have an existing plan, we will also review your current plan document, investments, and vendor contracts to ensure a smooth transition from your current record keeper to Northwest Plan Services.

How long does it take to join the PEP?

A new plan set-up generally takes about 45 days to complete. This includes a plan design consultation, signing paperwork, establishing a payroll portal, and conducting a participant enrollment meeting. We have monthly entry points for new plans that join the PEP.

If you have an existing plan, the process takes a bit longer. The conversion process from your existing plan to the PEP can take up to 90 days as participants must be notified and there is a black-out period during the asset transfer. We have quarterly entry points to join the 401(k) Tech Collective Plan for plans that are converting from other providers. The total time to set up a converting plan can take between 2-6 months.

Can we customize our plan design?

The PEP has been structured to meet the core needs of employers. We have a base plan design with certain features that can't be altered. This ensures a clear and streamlined enrollment experience.

The PEP offers several flexible design options that include eligibility, participant loans, matching contributions, vesting, safe harbor, and auto-enrollment. These options provide you the flexibility to manage your business objectives and the needs of your employee population while realizing the benefits of streamlined plan design.

Is there information that can help me manage my employee base?

We have an FAQ that addresses participant-specific issues and questions. We encourage you to distribute this to employees. This document is available on the WTIA website.

Does WTIA offer any ongoing educational support?

WTIA offers ongoing educational support through SCS Retirement. Some of the ways your employees can be supported include:

- Ongoing education, on-call telephone/email advisory help, account reviews, specific recommendations (contribution/investments), rollover assistance

- Annual virtual or onsite presentation and/or 1:1 employee meetings (15 minutes per meeting)
- Virtual webinars

How much does educational support cost?

- Ongoing educational support is included at no additional cost
- Onsite or virtual education:
 - o Every plan can schedule one onsite or virtual webinar meeting per year
 - o Onsite education includes typical education presentations, such as a review of the company's 401(k) plan highlights and benefits. Sessions can be stand-alone or followed up with 1:1 employee meetings if desired
 - Employee meetings (15 minutes/meeting) include an individual account review and personalized recommendations

Additional FAQs for Participating 401(k) Tech Collective Plan Employers

Now that I've joined the PEP, what are my company's administrative responsibilities?

While the PEP provides administrative relief, you are still responsible for submitting employee contributions in a timely fashion and meeting Department of Labor (DOL) discrimination requirements. Your company may also be selected for sample testing during the PEP's annual audit, and you would be required to timely provide payroll and other deliverables requested by the auditor.

What is considered timely remission of employee contributions?

The DOL does not want you holding employee money and defines timely contribution remission "as soon as reasonably possible" or within three (3) business days. We encourage you to process your employee contributions in conjunction with your payroll.

What are discrimination tests?

The IRS wants to ensure that companies that offer a 401(k) are treating their employees equitably. The IRS will apply one of three "discrimination" tests to determine whether benefits provided to higher-paid employees are disproportionately more favorable than those provided to lesser-paid employees. The three "discrimination" tests include:

- Average Deferral Percentage (ADP); and
- Actual Contribution Percentage (ACP); and
- Top Heavy test

How does the timeline work for ADP/ACP Discrimination tests?

In late January, our program administrator, Northwest Plan Services (NWPS), will collect information from the prior year from each participating employer. Assuming NWPS receives the information timely, they will determine by the third week of February if the employer passes or fails these tests.

Employers that fail the testing have two options: (1) make an additional contribution to non-highly compensated employees (QNEC); or (2) return excess contributions to highly compensated employees. Employers can make a QNEC through the end of December 31, but only have until March 15 to return excess contributions to highly paid employees. If the employer fails to meet these timelines, then they must file a Form 5330 and pay a filing fee and any penalties assessed.

How does the timeline work for the Top Heavy Discrimination test?

In late January, NWPS will collect information for the current year from each participating employer. Assuming they receive the information timely, they will determine if the employer is Top Heavy by the second quarter (Q2) of the current year. A plan is Top Heavy when, as of the last day of the year, the total value of key employees' plan accounts is more than 60% of the value of the plan assets.

Employers that fail the Top Heavy test will be required to make a contribution of 3% to the non-key employees by September 15 of the subsequent year. Failing to make this payment timely will result in fines, penalties, and may result in termination from the program.

What happens if I struggle with my administrative responsibilities?

The PEP will make every effort to help employers meet their administrative responsibilities and stay in the program. The PEP, legally, can terminate employers from the program for failing to perform their duties as a participating employer.

Failure to perform your responsibilities may result in additional costs to you, such as interest, penalties, and filing fees. Should the need arise to terminate an employer's plan, a termination fee of \$2,500 will be assessed to cover termination costs, in addition to other expenses that may be incurred.

Who do I contact if I want to join the PEP or learn more?

If you would like to get a quote or learn more about the plan, please reach out to:

401k@washingtontechnology.org