

Your Company 401(k) Plan



This booklet outlines your roles and responsibilities as plan administrator and explains how Paychex will help you with plan recordkeeping. For detailed plan information and convenience in maintaining your plan, register for the Paychex Retirement Services website at paychexflex.com.



Paychex Plan Recordkeeper Responsibilities

As your plan's recordkeeper, we prepare and maintain detailed records that relate to the operation of the plan.

Paychex Recordkeeping Services provides:

- All required plan documents, including the Basic Plan Document, Adoption Agreement, and Summary Plan Description (also available online)
- Compilation of your plan data
- Client Fee Disclosure Statement to help you understand the costs of and services provided for your plan by Paychex. We will update this disclosure on the Retirement Services for Employers website anytime plan fees change
- Your plan's annual Form 5500 and Forms 8955-SSA, and 1099-R, as required
- Quarterly nondiscrimination testing
- 24/7 access to the plan through the paychexflex.com website and the Paychex Flex® App
- Management reports and participant statements
- Processing of employee contributions
- Processing of participant distributions for qualifying events such as termination, retirement, or disability
- Modeling and management of loans on participants' retirement account assets
- Daily valuation of account balances
- Participant Fee Disclosure Statement

Your Paychex Retirement Services Agreement describes the complete recordkeeping and administrative services provided by Paychex.

Integration for Paychex Payroll Clients

Each time Paychex processes a payroll for retirement services clients, employee salary deferrals, employer contributions, loan repayments, hours worked, and wages earned are transmitted electronically.

Although you are not required to use Paychex payroll services with your 401(k) plan, Paychex payroll and retirement services integration is an efficient and accurate method of data transfer.

On the payroll check date, Paychex electronically withdraws employee salary deferrals, employer matching contributions, per-pay profit sharing, per-pay nonelective contributions (if applicable), and loan repayments from the authorized bank account.

Funds are collected from your company's bank account on each payroll check date and generally transferred to the investment provider within three business days of the collection date; weekends, holidays, and bank holidays may affect fund transfer timing. It is your responsibility to verify that 401(k) funds are electronically withdrawn on each check date.

Bank Transaction Information

In your payroll package, Paychex will provide you with transaction information, including:

- detailed cash requirements and transactions
- total 401(k) contributions collected
- employee loan repayments

Contributions to your 401(k) are withdrawn from the bank account you have on file with Paychex Retirement Services. Monthly service fees can be paid from your bank account, from participant accounts, and/or from the plan's forfeiture account. Promptly inform Paychex of changes to your bank account.

Your Responsibilities as Plan Administrator

The plan administrator is the employer or person assigned by the employer who performs the plan's administrative duties.

The plan administrator oversees all plan features and operations and is responsible for:

- Selecting the plan that best meets participants' needs
- Selecting investment options for the plan
- Providing accurate employee census data to Paychex
- Maintaining plan records
- Collecting and processing contributions
- Complying with nondiscrimination requirements
- Selecting a plan recordkeeper
- Retaining all annual reporting requirements and plan test results for a minimum of seven years
- Distributing a Participant Fee Disclosure to participants on or before the date they can first direct their investments and annually thereafter
- Electronically filing Form 5500 annually with the U.S. Department of Labor and filing Form 8955-SSA with the IRS when required
- Advising participants of their rights and benefits under the plan

Refer to the Paychex Retirement Services Agreement for a complete description of the plan administrator role. The plan administrator must maintain and operate the plan in accordance with the appropriate laws and regulations pertaining to a qualified retirement plan.

For guidance on plan responsibilities and provisions of plan law and your plan, retain legal and tax advisor help. Paychex cannot provide legal or tax advice, or serve as plan administrator; we provide recordkeeping support.

Report Accurate Employee Data

To provide you and your plan participants with the most accurate plan reports and tests, you must provide Paychex with up-to-date birth dates, dates of hire and termination, and employee classifications. This information is critical for many reasons, including determining eligibility for new enrollment, performing compliance testing, and calculating contribution allocations.

Report New Employees and Terminations

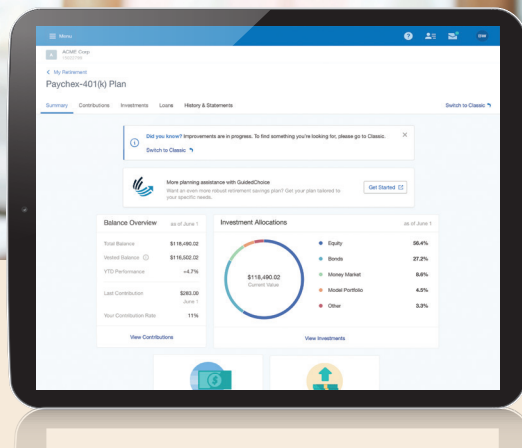
When you hire a new employee, notify Paychex of the employee's date of hire, date of birth, and social security number. If you are using Paychex payroll, simply notify your payroll specialist. Once employees are active on payroll and their information is transmitted to Paychex, they can access the website.

When an employee terminates employment, notify Paychex of the termination. Paychex will email a Distribution Notice with instructions on how to request the disbursement at paychexflex.com.

Report Your Email Address

Paychex will communicate plan information to you through email; therefore, add the Paychex email address to your address book so that you receive important messages. You will be prompted to add your email address when registering for the Paychex website.





Paychex Retirement Services Website

Your key resource for plan management: paychexflex.com

Employer Website

From the employer site, employers can:

- View and update plan and participant information
- Determine employees who are eligible to enroll
- Obtain forms and reports for operating your plan
- Access, review, and print important plan documents, including fee disclosure statements
- Get answers to your plan questions
- Make required or discretionary employer contributions

Creating Your Account

To register, log in to paychexflex.com, click **Sign Up**, and enter the required fields. Once you create an account, log in anytime at paychexflex.com and select **Retirement Services** or the Retirement icon.

New clients will also receive a welcome email from Paychex containing plan-specific information they should review.

Participant Website

From the participant site, employees can:

- Enroll in the plan
- View account balances
- Get answers to plan questions
- Review fund information
- Review the plan's Participant Fee Disclosure Statement
- Change funds and allocations
- Enter and update beneficiary information
- Request a loan

Creating Participant Accounts

To register, employees can visit paychexflex.com, click **Sign Up**, and enter the required fields. They must also provide answers to security questions.

After creating an account, participants can log in by entering their username and password in the appropriate fields and selecting **Retirement** to access their plan details.

Enrolling Employees in the Plan

An employee is eligible to enter your company-sponsored plan on the first entry date after fulfilling the plan's eligibility requirements as outlined in the plan Adoption Agreement. Eligible employees can enroll through the Paychex website at paychexflex.com or the Paychex Flex App.

Promote Plan Participation Monthly

Paychex will notify you by email every month in which you have newly eligible employees who can participate in your company-sponsored retirement plan. We will include an email that you can forward to **all** employees reminding them of the valuable benefit of a 401(k).

To see who is newly eligible, or eligible but not participating, log in to the website, navigate to **Documents & Reports**, and print the **Employee Eligibility Status Report**. Under the **Administration** tab, **Enrollment** section, you can also access additional enrollment materials as needed.

For newly eligible employees who enroll, salary deferrals begin on the check date immediately following the next entry date. For all other employees who enroll, salary deferrals begin on the next check date. If you notice any employees with missing information, correct the information on the website.

All newly enrolled participants must complete a Beneficiary Designation. A beneficiary is the person or persons to whom a participant's vested 401(k) balance will be paid in the event of the participant's death. Beneficiary information can be entered directly through the website at paychexflex.com or the Paychex Flex App.

Auto Enrollment

If you have elected to have employees automatically enrolled in the plan, you will receive a monthly email identifying employees who will be automatically enrolled in the plan and links to important enrollment information.

Host an Enrollment Meeting

Hosting an enrollment meeting can build plan participation and provide an opportunity for you to speak to the benefit of the plan. At this meeting, you will provide an overview of the plan, explain the benefits of retirement savings, and give attendees a forum to ask questions.

Be a Teacher, Not an Advisor

Plan administrators can provide investment information to their employees to help them understand the investment options offered in their company-sponsored plan. However, to avoid potential liability about investment decisions made by participants, employers should direct employees to their financial advisors for investment advice.

You can talk about:

- The importance of retirement planning
- The difference between saving and investing
- The benefits of investing early
- Risk and risk tolerance
- Balancing investments
- Roth vs. pretax deduction

Participant Assistance

Paychex has partnered with GuidedChoice®, an investment advisory firm, to provide investment advice to your plan participants through GuidedChoice Managed Account Services. Participants can access the service through the web, or they can have a telephone consultation directly with GuidedChoice. Your participants will be asked a few questions, and based on their responses will be provided with a personalized retirement planning recommendation built on objective advice. For an additional fee, GuidedChoice will implement their recommendation and actively manage the account on an ongoing basis.



Compliance Testing

Internal Revenue Service regulations require that to maintain a qualified plan status, and the tax advantages associated with that status, the benefits under a retirement plan may not discriminate in favor of highly compensated employees (HCEs). As the plan administrator, you must ensure that your plan satisfies these requirements. Paychex will provide you with plan compliance test results for your review and correction if needed. Failure to correct a plan that is out of compliance may result in IRS or DOL penalties and/or plan disqualification.

To help you in maintaining the qualified status of your plan, Paychex Retirement Services will send you the following test results, if applicable:

- **ADP Test** — Actual Deferral Percentage Test (quarterly)
- **ACP Test** — Actual Contribution Percentage Test (quarterly)
- **Top-Heavy Test** — (annually)
- **410(b) Coverage Test** — (annually)

Understanding Employee Classifications

Properly classifying employees is critical to receiving accurate plan compliance test results. Review your employee census information each quarter. You can process a census report online through the Documents & Reports tab, or by clicking Census Report in the Employee Data tab. It is imperative that you ensure your employees' classifications are accurate.

Highly Compensated Employee (HCE)

An employee who satisfies **at least one** of the following:

- Greater than 5% stockholder/owner** — Employee who owns, directly or indirectly, more than 5% of the stock, capital, or profits of the company during the current or prior year
- Family member** — Employee who is a spouse, parent, child, or grandparent of a greater than 5% stockholder/owner during the current or prior year
- Employee earning greater than the compensation limit for the prior year** (Limits are reported by the IRS.)

The employer may limit the number of employees who are treated as "HCEs due to compensation" by making the top paid group election. This limits "HCEs due to compensation" to only those who were in the top 20% of employees by compensation in the prior plan year.

Key Employee

An employee who satisfies **at least one** of the following definitions for the prior plan year (first plan year in the case of a new plan):

- Greater than 5% stockholder/owner** — Employee who owns, directly or indirectly, more than 5% of the stock, capital, or profits of the company
- Greater than 1% stockholder/owner** — Employee who owns, directly or indirectly, more than 1% of the stock, capital, or profits of the company and earns more than \$150,000 annually
- Family member** — Employee who is a spouse, parent, child, or grandparent of a greater than 5% or greater than 1% stockholder/owner
- Officer** — Employee who has the authority of an administrative executive and earns more than the IRS annual compensation limit. The number of officers classified as Key is limited to no more than 50 employees (or, if lesser, the greater of (a) three employees or (b) 10% of the employees) will be treated as officers. The employer may limit the number of employees who are treated as 'HCEs due to compensation' by making the top paid group election. This limits 'HCEs due to compensation' to only those who were in the top 20% of employees by compensation in the prior plan year.



Types of Tests

ADP/ACP Tests

These tests compare actual employee elective deferral percentages and actual contribution percentages of highly compensated employees (HCEs) with the deferral and contribution percentages of the non-highly compensated employees (NHCEs) to be sure the plan does not favor the HCEs. If you have automatic enrollment, you may receive an estimated ADP/ACP test at year-end. Final compliance tests will be mailed to you in April of the following plan year after the 90-day opt-out period has elapsed.

Top-Heavy Test

A plan is top heavy if the account balances of the key employees exceed 60% of the total plan account balances as of the determination date. The determination date is the last day of the prior plan year (last day of the first plan year in the case of a new plan). When a plan becomes top

heavy, each eligible non-key participant employed on the last day of the plan year generally must receive an employer contribution no greater than 3% of his full year wages.

Safe Harbor Provision

Generally, safe harbor plans are exempt from compliance testing; however, they may be subject to top-heavy testing if employer contributions are made in addition to the safe harbor contribution.

410(b) Coverage Testing

IRS section 410(b) requires a qualified plan to benefit a minimum percentage of NHCEs. The minimum number is determined by comparing the percentage of HCEs and NHCEs who are benefiting under the plan. If your plan uses a last day rule (LDR) or minimum hours worked requirement for profit-sharing or matching contributions, you will receive 410(b) testing results and instructions if the 410(b) test fails.

Quarterly Reports

Each quarter, Paychex will notify you when the following documents are available:

- Retirement Plan Administration Quarter-End or Year-End Reports
- Employee Census Report
- ADP/ACP Compliance Test Results
- Quarterly Plan and Participant Summaries
- Participant Statements

As the plan administrator, you must:

- Notify plan participants that statements are available online
- Review all materials for accuracy and missing information and report all corrections to Paychex
- Report employee census changes to Paychex
- Review corrective options on [paychexflex.com](https://www.paychexflex.com) if your plan is out of compliance



Paychex Integrated Services

Paychex can help you minimize risk, improve regulatory compliance, and encourage employee retention by offering a comprehensive package of human resource administrative services that is integrated with payroll processing.

Visit [paychex.com](https://www.paychex.com) to see the many Paychex products and services.