THE ACCE ADVANTAGE
Benefits for Members by Members

PLAN ADMINISTRATION MANUAL

for the

ACCE Benefit Trust Profit Sharing Plan

January 2025

ASSOCIATION OF
CHAMBER OF COMMERCE
EXECUTIVES

CONTENTS

We're Here to Help You

ACCE Benefits Team

All retirement inquiries are to be directed to the ACCE Benefits Services Team. Your ACCE Benefits Service Team is available for assistance Monday through Friday, from 8:30 a.m. EST through 5:00 p.m. EST.

ACCE
277 S. Washington Street, Suite 210
Alexandria, VA 22314

For assistance with daily operational issues and plan administration questions, please contact us at: accebenefitsteam@acce.org

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Please email all payroll registers and annual compensation reports to us at:
accebenefitsteam@acce.org

For plan consultations and regulatory concerns, please contact:

Stacey Breslin
Vice President, Benefits Services
Direct: (703) 998-3549
sbreslin@acce.org

Please note that due to the uniqueness of the ACCE plan, all Principal personnel will forward any Administrator inquiries to the attention of the ACCE Benefits Team for response.

Quick Tips

Plan Identification

Every plan is identified by a plan/contract number along with a unique location code for each organization in the ACCE plan. Your plan identifiers are:

Plan/Contract: 614541
Location: __________

Please contact the ACCE Benefits Team if you are unsure of your specific location number.

Plan Administration Roles

Ensuring the smooth and successful administration of your retirement plan will require a partnership of efforts. While ACCE and Principal are available to assist you in keeping the plan compliant with regulations, we recommend that each organization determine who is responsible for the following types of plan level responsibilities.

Executive Level Decision Maker: This will typically be the CEO but can be any officer of the organization that the Board has provided authorization for any actions deemed necessary or appropriate in administration of the retirement plan. This individual will be an authorized signer for the retirement plan.

Plan Administrator: This will typically be an individual with the Finance or Human Resources divisions of the organization. This individual will be responsible for the day-to-day operations of the retirement plan.

It is also highly recommended that there be a back-up person identified for each of the above roles in case of unforeseen emergencies.

Plan Administrator Access

All plan level access to the online Principal Sponsor Service Center is established, modified, or removed through completion of a Security Administrator Access form which can be found on the ACCE 401k Plan Administrator Resources website. Please contact the ACCE Benefits Team if you need assistance with the completion of this form.

Should you decide that an outside vendor will be responsible for all or part of the day-to-day operations of your plan, they will be required to provide the same information required to establish plan access to the Principal Sponsor Service Center as an internal Plan Administrator.

▶ **Important Note:** The sharing of Usernames and Passwords for access to the Principal Plan Sponsor Service Center is not allowed. Doing so would constitute a serious breach of security and the individual for whom the plan access has been established will be legally responsible for any misuse of said access.

Plan Level Login

Plan Administrators may login to the Principal Sponsor Service Center by going to www.principal.com, click on *Login* and enter your unique Username, and select *The plan sponsor or employer account* when prompted which account you are accessing.

For technical assistance with the Principal Plan Sponsor Service Center, please call Principal Technical Support at 1-877-475-3436.

Employee Account Access

Employees can access their personal account through Principal Financial Group by accessing the Retirement Resource Center at www.principal.com or by calling the Principal Participant Call Center at 1-800-547-7754.

Principal Call Center Counselors are available for employee assistance every Monday through Friday, from 8:00 a.m. EST until 10:00 p.m. EST. TeleTouch services are available virtually 24/7.

All participants interactions are to go through the Principal Call Center recorded line. Should an unusual issue arise where a participant would like additional assistance from the Plan Administrator and ACCE Benefits Team, it would be our pleasure to assist the participant providing all parties are included in the conference call.

Top 10 Plan Administrator Responsibilities

1. Ensure the Security of the Plan – Obtain Plan Administrator access for the Principal Sponsor Service Center that is unique to you. Never share your Administrator username or password with other Administrators within the organization. Notify the ACCE Benefits Team when your Plan Administrator access should be deleted.

2. Understand Your Plan – Review your organization's plan documents, read, and refer to this manual, reference additional tools available on the ACCE website, and consult with an ACCE Benefits Team Member to ensure you understand the provisions of your plan, the operational procedures, and how the plan design fits within the organization's objectives.

3. Monitor Your Message Center – Principal communicates important Plan Administrator responsibilities through the Message Center within the Sponsor Service Center on a weekly basis. Be sure to check your Message Center each week for time sensitive items such as changes to employee contribution rates, updates, and other compliance related responsibilities. Only employee deferral elections made through Principal are valid for the purposes of this plan.

4. Maintain the Integrity of Employee Data – Enter participating employees into the Principal Sponsor Service Center upon hire date and edit employee indicative data such as address changes, employment status updates, etc. each pay period as changes occur.

5. Submit Contributions Each Pay Period – All employee contributions must be submitted on or before pay date so that the funds will be in the participants account as per Department of Labor regulations.

6. Utilize Correct Money Types – Verify you are utilizing the correct name for each contribution source you are funding. Using incorrect money types when submitting contributions can be the costliest of administrative errors for your organization due to the hours of manual adjustments necessary to correct the erroneous submissions.

7. Confirm Before You Submit – Review the data you have entered into the Principal Sponsor Service Center before you submit (payroll information, employee indicative data, bank information, etc.) This will reduce the risk of Administrator error and potential financial exposure for your organization.

8. Communicate Plan to Staff – Provide the employees with the orientation materials upon hire so that they may maximize the benefits of the plan.

9. Archive Plan History – You are the librarian for the retirement plan. Keep pertinent plan data filed so that it is easily accessible to you and other Plan Administrators within the organization should future need arise. Email all payroll registers to us at accebenefitsteam@acce.org each pay period upon completion of contribution submission.

10. Contact ACCE for Help – When in doubt, please email us at accebenefitsteam@acce.org and we will guide you and assist you in minimizing the risk of administration errors that could jeopardize the plan's status and/or result in potentially high fees and penalties for your organization.

Fidelity vs. Fiduciary Insurance

If you are confused by the terms Fidelity and Fiduciary Liability, you are not alone. You have plenty of company among attorney's, risk managers and insurance professionals active in the pension and benefits marketplace.

Fidelity Insurance

This is often referred to either as bonding or employee dishonesty coverage. Claims under a Fidelity policy are the result of theft of an insured's assets (not just money) by an employee.

The ERISA statue requires all Plan Sponsors maintain fidelity insurance in an amount equal to the lesser of $500,000 or 10% of plan assets. Therefore, even while you are participating in the ACCE multiple-employer plan, you must maintain your own Fidelity Insurance.

Fiduciary Liability Insurance

All organizations have a fiduciary exposure when sponsoring a qualified retirement plan. The ACCE Benefit Trust is responsible for the selection and ongoing monitoring of the investment options within the plan and therefore carries a fiduciary liability policy. However, this insurance is specifically for the benefit of the Trustees and only covers its control over the plan investment options. While this does mitigate your organizations overall fiduciary exposure, it does not eliminate it.

Your organization has fiduciary exposure that stems from sponsorship of the plan and the organization's selection of the specific retirement program in use. Although Fiduciary Liability Insurance is not required under ERISA, we strongly recommend that each organization purchase a Fiduciary Liability policy.

Understanding Your Plan Design

Plan Documents

The ACCE Benefit Trust Profit Sharing Plan is a multiple-employer plan that utilizes a both a master plan document (which is adopted through a Board of Directors resolution) and a participation agreement. Both components of the plan documents are taken together to act as one legal instrument and form the retirement plan document for your organization.

Basic Plan Document

The basic plan document - also referred to as the master document – contains common provisions that apply for all Plan Sponsors participating in the ACCE multiple-employer plan. Topics you would find in a master plan document that apply to all participating employers will include, but are not limited to:

- Plan Definitions
  - The basic plan document defines compensation as total gross earnings as defined by IRS Code Section 3401(a). This is the amount also used for annual compliance testing.
  - Severance pay is not considered compensation for plan purposes.
- Eligibility Provisions
  - Eligibility is calculated on an elapsed time method. This means that calculation of service periods for purpose of eligibility continues even if there is a break-in-service providing that the break-in-service is less than 1 year.
  - The plan allows for predecessor service among all ACCE members for purposes of calculating eligibility and vesting. Meaning, new employees you hire may be eligible for credit for the years of service earned at another ACCE Member organization for the purposes of calculating eligibility and vesting within the retirement plan.
- Contribution Types Allowed and how they are invested
  - Profit Sharing contributions, if declared by any organization, are to be fully funded at the end of the plan year and made to all participants who were eligible during the plan year regardless of hours worked or employment status at the end of the year.
- Loans, withdrawals, and distribution availability
  - Loans are allowed as per IRS limits. One loan allowed at a time.
  - In-service withdrawals are available at age 59½ or upon satisfying a hardship need as defined by ERISA safe harbor regulations. After-tax contributions and rollover amounts are also available for withdrawal.
  - Plan distributions may be taken as a lump sum, annual installments, or in the form of an annuity upon termination of employment, retirement, disability, or death.

▶ **Important Note**:

Please be sure to contact the ACCE Benefits Team if/when you are hiring a new employee that you suspect may have worked for another ACCE member organization. We will research for you to determine what, if any, predecessor service applies.

Participation Agreement

The participation agreement is a fill-in-the-blank/check-the-box document, which the organization completes to outline the specifics of their plan provisions. The participation agreement provides the following options:

Section 1.02 – Definitions

Compensation – Plan Sponsors who wish to exclude fringe benefits earnings for the purpose of calculating employee deferrals and employer contributions for the retirement plan can do so by identifying they wish to exclude these in the Participation Agreement.

▶ **Important Note**:

1. If fringe benefits earnings are excluded in the definition of compensation for your plan, then those earnings will not be eligible for either employee deferrals or employer contributions.
2. Plan compliance testing is always based on total gross compensation regardless the definition of compensation for your plan.

Vesting – The vesting schedule for the plan defines the portion of the employer contributions within a participant's account that is owned by the participant and will be paid to the participant upon a distributable event, such as retirement or termination.

Participants earn full ownership of the employer contributions in increments based on the number of years of service completed with the employer. In this manner, continued service with the plan sponsor is rewarded by steadily increasing ownership of the retirement benefits provided by that plan sponsor.

Employers may choose from one of the seven standard vesting schedules. The following types of money will follow the vesting schedule within the participation agreement: regular match, profit sharing, and additional employer contributions.

The following types of money are always 100% immediately vested: employee pretax, Roth, and catch-up deferrals. Employer Safe Harbor contributions are also 100% immediately vested.

▶ **Important Note**:

1. An employee's vesting credit calculated continuously, including any breaks in service less than one year.
2. The ACCE basic plan document contains a provision for "predecessor service" for purposes of vesting. Meaning, employees receive vesting credit for years of service earned at any ACCE Member organization for the proposes of the retirement plan.

Section 2.01 – Active Participants

Eligibility Service Required – The length of service an employee must be credited with prior to attaining eligibility for participation in the plan.

Minimum Age Required – The minimum age an employee must meet prior to attaining age eligibility for participation in the plan.

Eligibility Date – The date the employee has satisfied both service and age requirements for you plan as per the participation agreement. Please note that this may not be when contributions begin.

Entry Date – The earliest that contributions may begin for a recently eligible employee. Please note that any pay date that falls on or after the entry date, regardless of the earnings period, is subject to employee deferrals and employer contributions. As an example, let's assume the following:

- Pay date is semi-monthly on the 15th and last business day of each month
- Employees are paid in arrears. Meaning, earnings for the period of July 1st – 15th are paid on July 31st pay date and the earnings for the period of July 16th – 31st are paid on August 15th pay date.
- Employee Entry date is August 1st

In this scenario, the August 15th pay date is the first pay date following entry date. Therefore, this pay date will be subject to the first deferral and employer contributions even though the compensation was earned for the period of July 16th – July 31st.

▶ **Important Notes**:

1. The laws governing qualified retirement plans do not allow for the exclusion of "part-time" employees. Meaning, all W-2 employees working for your organization are eligible for the plan regardless of the number of hours they work.
2. Once an employee satisfies the eligibility criteria for your plan, they will remain eligible regardless of breaks in service going forward (i.e., rehires). A previously eligible employee will again be eligible to participate immediately upon their rehire.
3. The ACCE basic plan document contains a provision for "**predecessor service**" for purposes of eligibility. Meaning, employees receive service eligibility credit for years of employment at other ACCE Member organizations for the purposes of the retirement plan.
4. Termination dates and rehire dates must be entered for seasonal employees or for others where applicable. Not doing so can negatively affect eligibility determination, deferral elections, and annual compliance testing, specifically the minimum coverage test. Any of which may result in unexpected costs to the organization.

Section 3.01 – Employer Contributions

Elective Deferral Contributions – This section defines the minimum and maximum percentage amounts an employee can elect to contribute to the plan. Employees can choose to contribute pre-tax salary deferrals, Roth deferrals (an after-tax deduction that is eligible to receive favorable tax treatment on earnings), or a combination of the two, by contacting Principal. Participants who are 50 years or older with the plan year may also elect catch up contributions.

▶ **Important Notes**:

1. Any elective deferral elections made by the participant must be applied to all compensation as defined by the plan. The only potential exceptions to this rule pertain to bonus compensation. Participants may make different deferral elections for bonus compensation.
2. All employee deferral elections are provided to the Plan Administrator via the Principal Message Center. Only those elections received from Principal may be updated within your payroll system.
3. Funding of employee deferrals must be completed on a per pay period basis, no later than pay date. Employee contributions submitted after pay date may be subject to lost earnings as per DOL guidance.

Automatic Enrollment and Automatic Escalation – Eligible employees will be enrolled at the stated amount for salary deferrals unless they elect a different amount or opt out by contacting Principal. If you are automatically enrolled in the Plan by your employer at a pre-tax elective deferral rate of 6% or more, your pre-tax elective deferral rate will be automatically increased by 1% on January 1 of each Plan Year until your pre-tax elective deferral rate is 15%. However, your pre-tax elective deferral rate will not be increased unless you have been eligible to make elective deferral contributions for at least six (6) months prior to January 1 of the given Plan Year.

Regular Matching Contributions – This section allows the employer to define the amount of employer contribution, if any, the organization will make for employees who are actively contributing to the plan. Matching contributions are funded each pay period along with the employee deferrals. This contribution type may be amended at any time during the plan year. However, please note that mid-year changes may result in required special compliance testing for your plan.

Profit Sharing Contributions – If applicable, the employer may make a discretionary contribution to the plan for all eligible participants at the end of the plan year. You may not pre-fund profit sharing contributions before year end. Doing so would mean the early percentage funded to be "declared" by the IRS and will no longer be discretionary for that calendar year. Any employee who was employed and eligible at any point during the plan year is eligible for the profit sharing contributions.

Additional Employer Contributions – If applicable, the employer will contribute the stated amount on a per-pay period basis for all eligible participants. Participants do not need to be contributing to the plan to be eligible for this contribution. This contribution type may be amended at any time during the plan year. However, please note that mid-year changes may result in required special compliance testing for your plan.

401(k) Safe Harbor – If applicable, the employer will contribute the safe harbor amount each pay period. This contribution provides the employer a "free pass" on the non-discrimination testing so that highly compensated employees can contribute elect deferrals up to the IRS maximum limits each year. The plan allows for either a QNEC Safe Harbor contribution to all participants or a Safe Harbor Matching contribution to participants who are contributing to the plan. Safe harbor contributions may not be amended mid-year. Other provisions within safe harbor plans may be allowed to be amended mid-year, but these amendments may jeopardize the plans safe harbor status for that year.

Amendments to Your Participation Agreement

Participation Agreements are legal plan documents. As a legal plan document, amendments may not be made retroactively. Therefore, ACCE must receive executed amendments with original signature(s) prior to the effective date of the amendment to be legally valid.

Please note that all January 1 plan amendments must be received at ACCE no later than September 30th of each year to be effective January 1st of the following plan year to meet employee notification deadlines as regulated by ERISA.

While your participation agreement may be amended anytime during the year, certain mid-year amendments may result in additional supplemental compliance testing fees for your organization. Please refer to the Compliance section of this manual for additional information regarding circumstances that may result in supplemental compliance testing.

Recordkeeping Services

Managing Employee Indicative Data

As Plan Administrator, it is your responsibility to provide the employee information required to ensure your plan is running efficiently and more importantly, with minimal risk. The accuracy of the employee data as well as the timeliness in which it is provided to Principal will allow ACCE to better serve you when periodically monitoring your plan for potential items that could result in financial risk to the organization.

New Hires

All new employees must be entered into the Principal Plan Sponsor Service Center within a few days of hire date, regardless of your plan's eligibility requirements. The following date elements are required for each new employee:

- Social Security Number
- Name
- Home Address
- Work Email
- Date of Birth
- Date of Hire
- Gender

Please do not complete any of the other fields.

Upon receipt of a new employee record, the Principal eligibility tracking system will calculate the appropriate future entry date as per the eligibility requirements defined in your Participation Agreement.

Approximately 2 – 4 weeks before the anticipated entry date, Principal will notify the employee that they are eligible for entry into the plan. This notification will also contain instructions for enrollment. Principal will change the employee status to 'active' in order for employer contributions to be funded upon entry date.

▶ Important Notes:

1. It is critical that all employees are entered prior to the first payroll run following hire date so that the Principal system can properly calculate the appropriate entry date as per your plan's rules.
2. Please remember to contact the ACCE Benefits Team at hire date if you suspect the new employee may qualify for the predecessor service rules so that we ensure the employee is assigned the correct entry date prior to the first payroll run as the employee may be immediately eligible for your plan due to the predecessor service provision.
3. If the Principal system does not allow you to enter a new employee, please contact the ACCE Benefits Team immediately. It is likely that the new employee was previously in the ACCE plan under a different organization and therefore is immediately eligible for your plan. ACCE will help ensure the participant record is moved to your location and the correct entry date is established.

As Plan Administrator, it is also your responsibility to provide the 401(k) new hire orientation kit within a few days of hire date. The kit includes the Summary Plan Description, Plan Highlights, QDIA/Auto-enrollment Notice, Annual Disclosure Notice, Principal Access Guide, Principal Retire Secure Guide, and if applicable, the Safe Harbor Notice.

Ongoing Employee Data Updates

Ongoing employee data updates will be required in the regular administration of your plan and should be entered into the Principal Sponsor Service Center on a per pay period basis.

The following participant changes should be provided as applicable:

- Name Changes
- Home Address
- Employment Status and dates (termination, rehire, retirement, death, disability)

Rehires

An employee who terminates service with the organization and then returns to service is referred to as a rehire. If this situation occurs in your plan, please provide the rehire date for any previously terminated employee immediately.

▶ **Important Notes**:

1. Termination dates and rehire dates must be entered for seasonal employees or for others where applicable. Not doing so can negatively affect eligibility determination, deferral elections, and annual compliance testing, specifically the minimum coverage test. Any of which may result in unexpected costs to the organization
2. The employee's original hire date must never be changed. The employee's original hire date and termination date is stored in the Principal system and upon rehire their status will be changed to "active." The participant's account is noted that this participant is a rehire and rehire date is stored.

Eligibility Tracking & Enrollment

Calculating an employee's eligibility for a 401(k) plan might seem simple and straightforward, but it is quite difficult due to the multiple regulations that govern how eligibility tracking is applied. To minimize risk of financial exposure due to eligibility tracking error, the ACCE plan utilizes Principal's auto-eligibility tracking service for all employers within the ACCE plan. You and the employee will receive notifications from Principal leading up to an employee plan entry date.

Eligibility Service Rule

Service periods for eligibility service requirement are calculated using an elapsed time method beginning from original hire date. There is no hour requirement for the employee. Therefore, it is critical you enter all W-2 employees into Principal upon hire date as previously described for this service to function properly. Please be aware that service periods for the purposes of calculating eligibility are continuous regardless of breaks in service unless the break in service is greater than 1 year.

For illustrative purposes:

Situation A

- Plan has a 3-month eligibility service requirement and entry on 1st of each month
- John Doe is hired on June 12, 2024
- On July 31, 2024, John Doe terminates employment
- John Doe is rehired on November 15, 2024 and immediately satisfies the service requirement because the break in service is less than 1 year, so the calculation period is 5 months (i.e., June 12 through November 15)
- John Doe is eligible for the plan on the next entry date, December 1, 2024

Situation B

- Plan has 6-month eligibility service requirement and entry on 1st of each month
- Jane Smith is hired on February 9, 2024
- Jane terminates employment on June 3, 2024, and has earned 4 months of eligibility service
- Jane is rehired on December 1, 2025. The period of severance was greater than 1 year, so the time from June 3, 2024 through December 1, 2025 is not included as eligibility service
- Jane Smith will be eligible for the plan on February 1, 2026, assuming no new breaks in service

Situation C

- Plan has 3-month eligibility service requirement and entry on 1st of each month
- John Doe is hired on February 2, 2025
- John Doe will be eligible for the plan on May 1, 2025
- John's entry date is May 1, 2025

Situation D

- Plan has 3-month eligibility service requirement and entry on 1st of each month
- Jane Smith is hired on June 7, 2024
- Jane Smith will be eligible for the plan on September 6, 2024
- Jane' entry date is October 1, 2024

▶ **Important Note:** You are not responsible for calculating or determining an employee's eligibility date or entry date. The plan will determine this for you through the automation in the Principal recordkeeping system. The automation, when combined with the plan administration procedures as outlined in this manual, your risk of unanticipated costs to the organization due to administrative failure are significantly reduced.

Enrollment Procedures

In addition to entering the new employee into the Principal Sponsor Service Center upon hire date, the Plan Administrator should provide the eligible employee with a copy of the following plan information at new hire orientation:

- Summary Plan Description
- QDIA/Auto-enrollment Notice
- Quarterly Participant Disclosure Notice
- Safe Harbor Notice, if applicable
- Plan Highlights
- Principal Access Guide
- Principal Retire Secure Guide

As Plan Administrator, you will be notified on an employee's entry date via a monthly eligibility report sent by Principal to the Plan Administrator's secured message center approximately one month in advance of the employee plan entry date.

Employees will be notified of their pending eligibility approximately three weeks prior to entry date. Employees will complete enrollment through the Principal Retirement Resource Center at www.principal.com or by calling the Participant Call Center at 800-547-7754. To complete enrollment, the employee may make beneficiary elections, salary deferral elections, and will be able to select their investment options for new contributions. If the employee does not make a salary deferral election, they will be auto enrolled. If the employee does not make an investment election for new contributions, all contributions received in the participant account will be invested in the plan default investment option.

Principal will forward all new salary deferral elections and changes to existing salary deferral elections to the Plan Administrator on a weekly basis each Sunday through the message center with the Principal Sponsor Service Center. It is your responsibility to update the information to your payroll system in a timely manner. You will only receive the weekly deferral notification report if changes have been made (i.e., new enrollments and ongoing changes). All deferral changes made by 4 p.m. EST on Saturday will be included in your weekly report delivered to you on the following Sunday.

▶ **Important Note**: Plan Administrators may only update payroll with salary deferral changes received via Principal's Message Center. It is critical that you do not accept written or verbal instructions directly from any employee about salary deferrals. Doing so would increase the organization's financial risk and your administrative burden during annual compliance testing and plan audits.

Salary Deferral Changes

Once an employee has completed initial enrollment in the plan, deferral changes may be made at any time through the year. The employee will make deferral changes through Principal.

Again, Principal will forward you all new salary deferral elections and changes on a weekly basis through the Message Center with the Plan Sponsor Service Center so that you may update the information in your payroll system in a timely manner.

Investment Transfers & Investment Direction Changes

This is not a function that Plan Administrators play a role in. The process is described for informational purpose only.

Investment option changes may be made at any time throughout the year. Participants may request both investment direction changes for new contributions and transfer of existing balances through the Principal

Retirement Resource Center at www.principal.com or by calling the Participant Call Center at 800-547-7754. Only one investment direction update and one investment transfer is allowed per business day.

Principal will transfer the funds or make investment direction changes as requested. Investment transfer and investment direction requests received prior to 4 p.m. EST will be processed the same day and posted to the participants' accounts the next business day. Investment transfer and investment direction requests received after 4 p.m. EST will be processed the next business day and posted to the participants' account two business days later.

▶ **Important Note**: New contributions will be invested based upon the existing investment direction when both contribution files and investment direction changes are received on the same day. The next contribution received will be invested accordingly.

Beneficiary Elections

This is not a function for the Plan Administrators. Participants may initiate beneficiary elections and changes to beneficiary through the Principal Retirement Resource Center at www.principal.com or by calling the Participant Call Center at 800-547-7754. In some circumstances, spousal approval of the beneficiary election may be required. Should this occur, Principal will provide the appropriate form to the employee based on their unique situation.

Contributions

The Plan Administrator is responsible for submitting contributions each pay period, as soon as administratively feasible as per the Department of Labor (DOL) regulations. **For purposes of the ACCE plan, this means that <u>you must submit the contributions on or before the actual pay date</u> to avoid financial exposure.**

Principal invests each participant's contributions as directed upon receipt of a contribution submission from the Plan Administrator. If the contribution is submitted before 4 p.m. EST, the employees will get credit for the contribution on the next business day with the contribution being posted to the employees account on the second day. Investment returns are credited from the day Principal accepts your contribution in good working order.

Submission Process

Plan Administrators may submit contributions through the Principal Sponsor Service Center by one of three ways in the Participants box, under Contribution/Loan Payments, click upload a file or manually enter data.

Select Manually Enter Data *(this is the recommended method to use when submitting contributions)*

- ***Start a New Submission*** *– used if your participant contributions change each payroll*
  - Enter Pay Date - the date when the employee receives compensation
  - Enter tax year
  - Select the Data Types you want to enter: Contributions
  - Select the money types you would like to report, then click *Continue*
  - Manually enter each contribution under the correct money type column for each participant, confirm the accuracy of each money type subtotal, then click *Save & Continue*
  - Review and Submit screen - confirm the accuracy of all contribution totals to ensure they tie to payroll reports, click the box – I confirm the information is correct and I authorize Principal Life Insurance Company to process this request
  - Click *Submit*

Here are two other options added for your preference

- ***Use a Previous Submission*** *– this is the most utilized method. However, it is also the method that we find the most administrative errors occur. You must use extreme caution to review each contribution amount and that the subtotals and grand total tie out to the totals page of your current payroll report prior to submitting the file!*
  - Enter Pay Date - the date when the employee receives compensation
  - Enter tax year
  - Select a Previous Date from the drop-down menu and click continue
    i. Note: The system will pull in the previous contribution information most recently submitted
  - Enter Contribution Data screen - manually enter each contribution under the correct money type column for each participant, confirm the accuracy of each money type subtotal, then click Save & Continue
    i. Note: The system will save and validate the information
  - Review and Submit screen - confirm the accuracy of all contribution totals to ensure they tie to payroll reports, click the box – I confirm the information is correct and I authorize Principal Life Insurance Company to process this request
  - Click *Submit*

Select Upload a File – *this is the least burdensome method to complete but requires a one-time setup with your payroll provider/system.*

- Using the CSV template created by your payroll system:
- Click *upload a file in the participants box under Add/Manage Participants*
- Select File
    - *Click choose file* (*use the Browse feature to locate the file and preview the data)*
- Select File Layout
    - Enter layout name in the box (the name this layout will be called in the future)
    - Data Categories (select data you want to upload)
        i. Combination File – Employee Data, Contributions
    - Enter Pay date, enter most current pay date
    - Enter tax year (system may populate year for you)
    - How is your data separated? Select - separated by commas (,)
    - Click continue
- On the Define and Confirm Columns page
    - Choose Rows to Upload –
        i. “first row to upload” should be row # 2
        ii. “last row to upload” should be the last row on spreadsheet
- Verify all columns being imported are labeled correctly, then click *Continue*
    - *Note: Column heading on spreadsheet should match row heading in Principal*
        i. Last name, select Personal Information, and last name from drop box
        ii. First name, select Personal Information, and first name from drop box
        iii. Tax ID, select Social Security Number from drop box
        iv. Contributions, select elect deferral, employer, or elect deferral catchup
- Confirm accuracy of amounts, and click continue
- Confirm preliminary totals to ensure they tie to payroll reports, click the I agree box, and click submit for review
- Contributions will then be sent to your To-Do List for your final approval
    - Note: employee records that do not have errors will be immediately accepted. Employee records with errors will be sent to your To-Do List
- Go to your To Do List and choose the task to approve the submission.
- Verify the totals on the submission and if they are correct, click on the box that says “I confirm the information is correct.”
- Click on Submit

Contribution Timing

Department of Labor regulations regarding the timeliness of contributions state:

> Employers are to fund employee contributions to the plan as soon as administratively feasible, but absolutely no later than the 15th business day of the month following the months to which the contributions relate.

In January 2010, the DOL provided a regulatory update to further clarify the “as soon as administratively feasible” segment of the regulation. The DOL stated that employers with fewer than 100 participants should complete funding within seven business days of pay date to minimize the likeliness of being charged heavy <u>penalties</u> (think in terms of thousands) to the Department of Labor. This does not, however, excuse the employer from having to fund <u>lost earnings</u> to the participants when the contributions are not funded as soon as the data is available to you.

Furthermore, the DOL has indicated through their actions that they may still impose penalties on employer's who fund within the 7-day window when the employer has the means to complete the funding of contributions sooner than they historically have been. **Therefore, it is the policy of the ACCE plan that all Plan Administrators are to submit contributions on or by pay date to minimize the risk of DOL penalty to your organization.** Only in the case of special or unusual circumstances would you be excused form lost earnings to the participant accounts for contributions that were submitted to Principal after the pay date. In addition, you must notify the ACCE Benefits Team via email on or before pay date of the unusual circumstance that is preventing you from completing your contributions submission so that we can assist and do all in our power to prevent an untimely contribution for your plans as these are reported within the Form 5500 each year.

Principal & ACCE will be monitoring the timing of contributions on a regular basis to verify compliance with both the DOL regulation and ACCE plan policy. At the end of each quarter, Principal will identify untimely contributions that exceed the timing criteria described above and will produce statements for the lost earnings due to participants. The organization will be responsible for paying the participants' missed investment return due to the late contribution as well as Principal fee of $225 for the calculation of lost earnings and the reporting required.

Finally, please note that any organization found submitting contributions which exceed the 15th business day of the month following the months to which the contributions relate will be reported to the DOL and may be subject to severe penalties.

Money Types

It is critical that you confirm you are using the appropriate money type names in the Principal Plan Sponsor Service Center before submitting any contribution files. Review the contributions available within your Participation Agreement and match it to the money type name using the chart below to ensure the accuracy of your submission.

Please call the ACCE Benefits Team for further guidance

Contribution Name within the Participation Agreement	Money Type Name in the Principal Sponsor Service Center
Elective Deferral Contributions: Pre-tax Deferrals	Elect Deferral
Elective Deferral Contributions: Catch-up	Elec Def CthUp
Elective Deferral Contributions: Roth Deferrals	Roth Elect Def Normal
Regular Matching Contributions:	ER Match in M
Profit Sharing	ER Discretion
Additional Employer Contributions	Additional Normal
401(k) Safe Harbor: Qualified Nonelective	Qual Nonelect Safe Harbor
401(k) Safe Harbor Match	ER Match in K Safe Harbor

Forfeitures

You will be automatically using the forfeiture amounts that you have available for use at the final screen (i.e., the confirmation screen) of the contribution submission process. Forfeitures may only be used to fund the employer contributions for any pay period. It is important that you utilize the available forfeitures on a regular basis with the intent of utilizing all forfeitures by the end of the plan year. Failure to utilize your forfeitures each plan year may result in an IRS mandated reallocation to all eligible participants.

Establishing EFT

Contributions to the ACCE plan are only processed via Electronic Fund Transfers (EFT). Please refer to the Appendix regarding steps to establish a new EFT or make updates to an existing EFT on file with Principal.

EFT Setup

- From the Principal Sponsor Service Center main page, select the *Administrative* tab
- Click *EFT Banking Info*
- Click *View or update EFT Banking Information*
- Complete the checking account information – *account name, financial institution routing number (skip, financial institution name) company checking account number*
- Scroll to the bottom of the screen. The last three questions ask, "Is there a joint account holder?" "Will this account be used to electronical transfer funds for your plan fees?" and "Should this change apply to all locations you have access to?" Click *No* for all three questions and *click Next*.
- Customer Id – leave blank
- Customer Info – leave blank
- Click *Next,* Verify EFT information and click *Submit*

Update/Change Banking Information – before you delete the current information you must enter new banking information

- From the Principal Sponsor Service Center main page, select the *Administrative* tab
- Click *EFT Banking Info*
- Click *View or update EFT Banking Information*
- Select *Add* to set up a new bank account for contributions and complete the checking account information – *account name, financial institution routing number (skip financial institution name) company checking account number*
- Scroll to the bottom of the screen. The last three questions ask, "Is there a joint account holder?" "Will this account be used to electronical transfer funds for your plan fees?" and "Should this change apply to all locations you have access to?" Click *No* for all three questions and *click Next*.
- Customer Id – leave blank
- Customer Info – leave blank
- Click *Next,* Verify EFT information and click *Submit*.

▶ **Important Note:** To delete bank account information, select the bank account you would like to remove and click on the *Delete* button.

Rollovers into the Plan

This is not a function for the Plan Administrators. Participants can initiate rollovers through the Principal Retirement Resource Center at www.principal.com or by calling the Participant Call Center at 800-547-7754.

Loans

Loans are available to participants within the plan on an equivalent basis as per the following rules:

- No more than one loan may be outstanding at a time
- All loans will bear a reasonable rate of interest (prime +1)
- The minimum loan amount available is $1,000
- The maximum loan amount available is 50% of the participants vested account balance or $50,000 whichever is less
- Loans must be repaid with a maximum term of 5 years or up to 30 years if the loan is for the purpose of purchasing a primary residence.
- Home loans will require documentation, and approval from plan administrator.

New Loans

Plan Administrators should direct employees requesting a loan to the Principal Client Contact Center at 800-547-7754 or by logging into their Principal account through the Principal Retirement Resource Center at www.principal.com.

A Principal Counselor will run variations of the loan through a modeling tool to help the employee determine the repayment terms best suited to the employee needs. As per employee request, Principal will mail loan documents to the employee to initiate the loan. Participants may also model new loans and obtain loan paperwork from the Retirement Resource Center at www.principal.com.

Upon receipt of the loan documents, the employee must review for accuracy, sign, and return the completed loan documents directly to Principal for final processing.

Principal will process the loan within three business days after receipt of loan documents that are in good order. The loan proceeds will be mailed directly to the employee. The employee may request that the funds be sent via ACH to their bank account. ACH transfers will post to their account within two business days following the processing of a loan.

Principal will notify the Plan Administrator each week of any new loans processed via the Message Center within the Plan Sponsor Service Center. Upon receiving a new loan notification, the Plan Administrator should verify the employee has established a payment schedule that coincides with the organization's payroll frequency. If the repayment frequency of the loan does not match the payroll frequency of the organization, please contact the ACCE Benefits Team for assistance. Assuming the loan is in good order, please update payroll to begin the deductions of the loan payments.

The loan documents are legal documents and must be stored in a secure place. All loan documents for the ACCE plan are maintained at Principal Trust Company for storage.

Loan Payments

Loan payments should be submitted to Principal on a per pay period basis with the regular contribution file. All regularly scheduled loan payment amounts will be reflected in the loan repayment screen of the Plan Sponsor Service Center. Since you are submitting loans, each pay date, the default for each loan under the *"# of Scheduled Payments*" column will be defaulted to "1".

The # of Scheduled Payments" column can be modified should unusual circumstances warrant such change, and if you need to submit multiple payments for a particular loan. Please contact the ACCE Benefits Service Team if the need arises to submit multiple loan payments so that we can help you determine what, if any, DOL corrective action may be necessary.

You may also submit an amount that is not equal to or a multiple of the regular loan payment by clicking the "Pay Additional" box next to the loan. Selecting this box and hitting Continue will lead you to a new Loan Payment screen that will allow you to enter and submit the irregular payment. Again, this should be rare, and we encourage you to contact the ACCE Benefits Team for further assistance.

Principal will apply loan payments as directed. All loan payments are invested based on the participant's current investment direction. Investment returns are credited from the day Principal receives the payments.

If a participant terminates with an outstanding loan, he/she will have 60 days to repay the outstanding balance in full before it becomes a taxable event.

Loan Payoffs

Employees who wish to pay off a loan early can do so by contacting the Principal Client Contact Center at 800-547-7754 to obtain the payoff amount. Loan payoffs can be done electronically or in the form of a money order or cashier check (certified funds) made directly to Principal Financial Group. The employee must include the organization's plan number (614541) and work location number on the check, as well as the last four digits of their SSN to help expedite processing. Loan payoffs should be mailed to:

Principal Financial Group
P.O. Box 9394
Des Moines, IA 50306-9394

Loan payoffs received in good order are processed within three business days. Principal will notify the Plan Administrator of any loan payoffs by sending a loan report through the Message Center each week or as needed. The loan report will list any employee who has recently paid back their loan in full so that the Plan Administrator can stop the loan payment deductions in payroll.

Loan Defaults

In the event payments are missed, the loan may be considered to be in default and the amount of the loan will become taxable. ACCE will assist the Plan Administrator in ensuring that the rules regarding loan defaults are adhered to by monitoring loans on a monthly basis.

Principal will provide ACCE with a monthly loan report identifying potential loans that are or may be close to default status. The report is broken down into three categories:

- The first section identifies loans that have not had a payment made in 60 or 90 days
- The second section identifies loans that appear to extend beyond the maximum duration for payoff (i.e., 5 years)
- The third section identifies participants with outstanding loan balances 60 days following a participant benefit event (i.e., termination, retirement, etc.)

ACCE will review the Principal report and will contact the Plan Administrator with any questions or concerns relating to the employee identified on the report. ACCE will then determine the course of action needed, including loan default if appropriate. If a loan should be considered in default, ACCE will notify

Principal. Principal will update the loan records accordingly within five business days of receipt of ACCE notification and will issue the appropriate tax forms to the employee.

Mistake of Facts Refund

If a mistake is made on a loan, resulting in an overpayment, Principal will mail a refund check to the employee's home address within five business days of identifying an error was made. If an employee has multiple loans as a result of former plan rules, the refund will not be applied to the second loan.

In-Service Withdrawals

The purpose of any retirement plan is to provide employees with an income during retirement and therefore should not be treated as a regular savings account. However, the plan does allow for certain withdrawal options that employees can utilize prior to retirement should an unexpected need arise.

Availability and Processing

The following in-service withdrawal options are available through the plan:

- Age 59½ Withdrawal – available to employees who have attained age 59½ years of age
- Rollover Withdrawal – available to employees who have rollover assets in their account
- Voluntary Withdrawal – available to employees who have voluntary after-tax assets in their account
- Hardship Withdrawal – available to employees who satisfy the ERISA safe harbor requirements for such withdrawals
- Required Minimum Distributions – specific to employees who are 70 ½ or older

Employees who desire an in-service withdrawal should contact Principal through the Principal Retirement Resource Center at www.principal.com or by calling the Participant Call Center at 800-547-7754 to obtain the information regarding the amounts available and to initiate the appropriate in-service withdrawal forms.

Checks will be mailed to the employee’s home within five business days of processing. Principal will prepare proper tax reporting forms to the employee’s home as appropriate. If the participant has elected for the funds be sent via ACH to their bank account, the funds will be deposited two business days after the withdrawal request has been completed by Principal.

Hardship Withdrawals

Employees requesting a hardship withdrawal must meet one of the deemed safe harbor standards outlined by the IRS (Internal Revenue Service). They are:

1. Prevention of eviction from an employee’s primary residence
2. Purchase of a primary residence
3. Medical expenses for the employee, their spouse, or dependents
4. Paying tuition, related educational fees, and room and board expenses for the next 12 months or post-secondary education for the employee, their spouse, children, or dependents
5. Funeral expenses for an employee’s deceased parent, spouse, child or dependent
6. Certain expenses relating to the repair of damage to an employee’s personal residence that would qualify for casualty deduction under Code Section 165

Principal will collaborate with the participant to determine the amount available for hardship withdrawal and will inform the employee of the deemed standards that must be met to request a hardship. The employee will need to submit documentation to support the hardship withdrawal request along with the withdrawal forms to Principal. Principal will review the hardship request based on the employee’s supporting documentation. If everything is in good order, the withdrawal will be completed, and the funds will be mailed to the employee’s home within five business days of processing.

Required Minimum Distributions

Utilizing the employee indicative data supplied by the Plan Administrator; Principal will identify which employees must receive a minimum distribution each year. Principal will also calculate the required minimum distributions amounts each year for employees who are required to receive such distribution. Finally, Principal will mail a required minimum distribution packet to all employees identified with the appropriate forms and a letter explaining the distribution process.

Principal will process the required minimum distribution as per the employee's instruction upon receipt of the completed forms. If an employee does not submit a completed form, Principal will process the minimum distribution as required by law and will mail the proceeds to the participant. Please note that federal tax withholding of 10% will take place from the distribution.

Participants may not be aware that they are required to take a required minimum distribution on any given year. Also, failure to receive a required minimum distribution in any tax year will result in severe IRS fines to the participant. Therefore, it is critical that the Plan Administrator maintain accurate employee data within the Principal Plan Sponsor Service Center to ensure that the automated process described above works appropriately.

Benefit Event Distributions

Distributions from the plan are available upon any of the following benefit events:

- Termination of employment
- Retirement
- Disability
- Death

Upon receiving a benefit event update (termination or retirement date) through the Sponsor Service Center, Principal will mail distribution information kits directly to the participant's house.

Forms of Distribution

The most usual form of distribution is a lump sum payment from the plan. Employees may receive the distribution directly or may choose a rollover of the distribution to another qualified plan or tax deferred vehicle. Installment payments and annuity options may also be available to those who desire an alternative form or payment.

The participant's account balance will determine which distribution options are available (see chart below).

Less Than $200	Principal issues a check directly to the employee
Less than $5000	Principal will send a letter to the employee along with an options package allowing the participant to choose to take cash distribution or roll the funds to another qualified plan or IRA. The letter will instruct the employee to make a decision within 60 days of the letter or their account will be distributed, and a check sent to their address (if under $1000) or their account will be transferred to an IRA with Principal Bank (if account balance is between $1000 and $5000).
More than $5000	Principal will send a letter to the employee instructing them to call Principal Connection regarding their options now that they have met a distributable event. Principal Connection reviews options with the employee and send employee the information they need based on the distribution options selected. If the employee decides to keep their funds within ACCE's retirement plan, Principal places their account in a 'personal retirement account' status (PRA). Once an employee is placed in PRA status, they pay an annual charge of $25 (6.25 quarter) to maintain their account.

Employees should call the Principal Client Contact Center at 800-547-7754 with any questions regarding the form and timing of distributions.

Death Benefits

Plan Administrators will notify Principal of a recent participant death via the Sponsor Service Center website. In addition, you will need to mail a certified copy of the death certificate and the death notification form (available on the ACCE 401k Plan Administrator Resources website) to:

Principal Financial Group
P.O. Box 9394
Des Moines, IA 50306-9394

Once Principal has received all proper documentation they will:

1. Transfer the deceased employee's account to the beneficiary(s) on file
2. Mail a distribution options package to the beneficiary home(s) within five business days of receiving notification
3. Issue payment as directed by the beneficiary(s).

Beneficiaries should contact Client Service Center at 800-547-7754 with any questions. In the absence of any beneficiary designation, the employee's beneficiary shall be determined according to ACCE plan provisions and state law.

Qualified Domestic Relations Orders (QDRO's)

QDRO's are issued under state domestic relations law and provide for payment of all or a portion of a participant's benefits to a spouse, a former spouse, the children, or other dependents of the participant as alternate payees. Common misconceptions are that QDRO's arise only in conjunction with divorces and may only be issued by a court. On the contrary, QDRO's can provide for child support, alimony payments or other property settlement rights and while usually issued by a court, they likewise may be issued by another state authority such as a state's child support enforcement agency.

The Plan Administrator should notify the ACCE Benefits Team of any possible QDRO situations. ACCE will provide the Plan Administrator a Qualified Relations Orders booklet and will notify Principal of the pending QDRO situation.

Upon receipt of a domestic relations order (QDRO):

- The Plan Administrator will promptly forward the DRO to the ACCE Benefits Team
- ACCE will notify Principal to place a hold on the participant's account. The participant is not eligible to receive any distributions, withdrawals, or loans from the plan during this time.
- Principal will send letters to both the participant and alternate payee along with a copy of ACCE's QDRO Procedures and a plan summary
- Principal will review the DRO for all necessary information and communicate directly with the participant for any missing information

Within a reasonable amount of time after receiving the order, the Plan Administrator, with Principal's assistance, will determine whether the DRO is qualified. The determination process generally takes two to three months from the date of receipt.

If the DRO is deemed to be qualified:

- Principal will send a negative election letter to ACCE for review
- Principal will segregate the accounts as outlined in the DRO and mail confirmation letters to the participant, each alternate payee, and their respective legal advisor

The QDRO service fee of $220/hour will be deducted equally from the participant and alternate payee's accounts, unless the QDRO specifies differently.

If the DRO is determined to not be qualified

- Principal will notify the participant, each alternate payee, and their legal advisory of this fact as soon as administratively feasible. The notification will include an explanation of the decision and include suggestions for correcting the order.

Compliance Testing & Reporting

Nondiscrimination testing is performed annually to satisfy ERISA regulations and to ensure that no plan has been designed to be more favorable to the highly compensated employees of an organization over the rest of the staff. In no way does nondiscrimination testing represent confirmation that your plan was properly administered, or that contributions were calculated by the organization correctly, etc. The annual audit (also required by ERISA regulations) reviews plan administration details to ensure accuracy and compliance and is covered later in the manual.

Required Nondiscrimination Testing

Qualified Retirement Plans are required to satisfy certain nondiscrimination tests on an annual basis. The type and number of tests can vary by plan, but in general the types of tests required each year include:

- 415 Limits Test – totals all contributions in each participant account and compares those totals with the IRS limit for that calendar year to ensure that no participant exceeded the IRS limit.
- Actual Deferral Percent's (ADP) Test – compares the average employee contribution rates of the highly compensated employees versus the average employee contribution rates of the non-highly compensated employees. Pre-tax deferrals and Roth Deferrals are included for this test. Employee catch-up contributions above the IRS 401(k) limits and nondeductible contributions are not included.
- Actual Contribution Percent's (ACP) Test – compares the average total plan contribution rates of the highly compensated employees vs. the average total plan contribution rates of the non-highly compensated employees. Similar to the ADP test except it includes employer matching contributions and employee voluntary contributions.
- Ratio Percentage Test – compares the number of employees benefiting under a plan to the total number of nonexcludable employees. This is also referred to as minimum coverage testing.

Top Heavy Testing

In general, a plan is top-heavy when, as of the last day of the prior plan year, the total value of the plan accounts of key employees is more than 60% of the total value of the plan assets.

If a plan is determined to be Top-Heavy, you must provide non-key employees with a minimum contribution of the lessor of:

- the highest contribution rate applying to any key employee, or
- 3% of compensation

The minimum contribution amount must be received by all eligible non-key employees who were still employed on the last day of the plan year.

We will notify you if your plan becomes top heavy.

Supplemental Nondiscrimination Testing

While rare, additional supplemental testing may be required on a plan-by-plan basis. The two most common reasons for supplemental testing being necessary in the ACCE plan are:

1. Compensation Exclusions from the definition in Compensation in your Participation Agreement. Alternative compensation testing may be required when a plan uses a compensation definition outside of the IRC section 414(s) definition of compensation.

If your organization elects to exclude all fringe benefits within the participation agreement, then your plan will still meet the allowable definition of compensation. However, if your plan excluded items such as bonuses or overtime, then the plan would be considered to be using an alternative definition of compensation. Plans using an alternative definition of compensation may be required to prove the plans compensation definition is nondiscriminatory through an alternative compensation test.

Considerations used when determining if a plan needs the alternative compensation test include, but are not limited to:

- HCE's – only plans with highly compensated employees (HCE's) would need an alternative compensation test. If the excluded compensation only apples to HCE's, alternative compensation testing would not be required.
- Contributions – only plans that fund contribution types not already included in the ADP/ACP test (i.e., profit sharing and additional normal contributions) would need an alternative compensation test.
- Safe Harbor – safe harbor plans are not subject to ADP/ACP testing, so these plans would need to have an alternative compensation test.

2. Mid-Year plan amendments to your participation agreement. See the chart on the next page.

Plan Design Change	Supplemental Testing Required?
Reduction of Employer Contribution	Yes
Increase of Employer Contribution	Yes
Addition of New Employer Contribution	No
Suspension of Employer Contribution	No

If supplemental testing is required, your organization will receive advance notice of which test is required and the fees that the organization will be assessed for the additional service.

Please refer to the Appendix for additional information regarding supplemental testing.

Testing Procedures

▶ **Important Note**: ***There are two administrative tasks you must complete at the end of each year***

1. Obtain a January 1 through December 31 payroll register that includes all W-2 employees for the year with their annual payroll details from your payroll system and email it to accebenefitsteam@acce.org.
2. Using the same annual payroll register, Plan Administrators must submit the following compensation data through the Principal Sponsor Service Center:
    - Total Gross Compensation (all locations) – used in the calculations of compliance testing
    - Special Exclusions (only locations who have the fringe benefits exclusion in their participation agreement.

Both of these annual tasks are due by December 31st. Compliance tests for organizations whose data is received after this deadline may not be completed by the annual IRS deadlines.

Principal will complete all required compliance tests for each plan. Testing results will be posted in your Message Center with the Sponsor Service Center website.

Should the plan pass all the nondiscrimination tests, the Plan Administrator simply needs to file the results for record retention purposes.

If the plan fails any of the tests, Principal will notify the Plan Administrator. Approval of all refunds/re-characterizations is required before Principal will be able to complete processing. The ACCE Benefits Team will assist with this and also contact you to assist with the review of the refunds/re-characterizations upon plan failure of any nondiscrimination test.

▶ **Important Note**: For plans that anticipate testing failures, it is almost always more advantageous for employees who fall within the highly compensated (HCE) group to contribute the maximum amount desired (up to IRS limits) in order to maximize their employee retirement savings for any given year. It is possible that the HCE's may be forced to take a refund due to the failure of a nondiscrimination test. However, the refund will be for the minimum amount necessary to bring the plan into passing levels AND the refund amount will be taxable during the year in which the refund was received. Meaning, the HCE will maximize the full potential savings for the previous year AND no longer need to file an amended 1040 with the IRS as in previous years. Please contact the ACCE Benefits Team if you would like a complimentary consultation on this subject.

5500 Filings and FAS-157 Reporting

While many organizations participate in the ACCE multiple employer plan we are considered a single plan by the IRS and DOL. Therefore, all required annual reporting, including the FAS-157 and 5500 filing, is completed on behalf of the entire participating employer population by the ACCE Benefits Team.

Records Retention

To support and validate the reporting and disclosure functions inherent to qualified plan administration, Plan Administrators must incorporate in their operating procedures a full and complete methodology for retaining critical plan documents, participant information and financial and other plan data. The following will outline Department of Labor (DOL) regulations with respect to record retention.

What Records Should Be Kept?

Plan records for retention by a Plan Administrator include the following:

- **Full and complete plan documents**: this includes fully executed (signed and dated) copies of the organization's current Participation Agreement and any former Participation Agreements. It also includes executed copies of the ACCE master plan document and amendments to the master plan document. The master plan document including any amendments is maintained by ACCE on behalf of all participating employers and is available upon request.
- Copies of all **organizational actions and committee or board actions** relating to the plan. *ACCE advises all participating employers to formally document the formal approval and declaration of their discretionary contribution rates, if applicable*.
- Employee communications: this includes the **SPD, SMM's, Plan Highlights page** and anything else describing the provisions of the plan.
- All **financial reports**, including journals, general ledgers, certified audits, balance sheets, income and expense statements, organizational tax returns.
- **Payroll records**: this includes reports or files used to determine eligibility and contribution calculations, reflect hours worked if applicable, etc. It is critical that Plan Administrators maintain complete census data, not just data on those who are eligible.
- **Employment records and vesting** supporting documentation including I-9 forms, offer letters, severance agreements, etc.
- Copies of **nondiscrimination and coverage test results.**
- Evidence of the plan's **fidelity bond**.
- A copy of the most recent **determination letter** or option letter from the IRS. ACCE maintains all IRS determination letters on behalf of all employers participating in the multiple-employer plan. A copy is available upon request.
- **Plan distributions, loans and participant withholding election** records. Principal maintains this data for ACCE. Therefore, it is critical that all participant withholding elections, distributions and loans go directly through Principal.

How Long Should Plan Records Be Kept?

In general, documents should be kept for a least six years after the date of the 5500 filing to which they relate (i.e., almost 7 years, since the 5500 can be filed up to 9½ months following 12/31). However, certain records should be kept for the life of the plan, and arguably throughout the existence of the plan sponsor. It is not unheard of for questions to arise years after a plan has been terminated and assets distributed.

Records to keep indefinitely include:

- All plan documents;
- All documentation relating to a participant's eligibility or amounts of benefits paid (i.e., employment records and census data for all employees, not just those eligible for the plan); and

- All records pertaining to an employee's salary history and hours worked.

How Should Plan Records Be Archived?

It is recommended that records be kept in a manner in which the records can be easily retrieved.

According to the DOL regulations, electronic media may be utilized for purposes of complying with the record retention requirements if the following stipulations are met:

- The recordkeeping system has reasonable controls to ensure the accuracy of the records;
- The recordkeeping system is capable of indexing, retaining, preserving, retrieving, and reproducing the electronic records;
- The electronic records can be easily converted into legible paper copies; and
- The electronic recordkeeping system is not subject to restrictions that would limit access to the records, such as reduced hours of access.

The consequences of a failure to comply with the rules surrounding document retention manifest themselves in an inability to respond to auditor or governmental requests for information in a timely manner. Lack of response or late response can result in ERISA penalties assessed by the DOL and lawsuits pressed by participants. With ERISA litigation increasing in light of high-profile bankruptcies and investment scandals, accurate maintenance of all essential plan records becomes more important than ever.

We know that administering a 401(k) plan can require fast paced efforts for Plan Administrators. Therefore, ***ACCE recommends that all Plan Administrators perform an annual self-audit***, during which time all relevant materials are organized and archived. This will help ensure that the plan is running properly and that all necessary records and documentation are being preserved.

Annual Plan Audit

The ACCE Benefits Trust Profit Sharing Plan is audited each year as per ERISA regulations. These audits are performed by an independent auditing firm hired by the ACCE Benefit Trust. The ACCE Benefit Trust incurs the expense of the audit on behalf of all plan sponsors.

Why Audit the Retirement Plan?

The retirement plan audit is performed to satisfy the ERISA regulations. Also, the 5500 filing for the ACCE multiple-employer plan cannot be completed without the financial reports prepared by an independent auditor. Outside of satisfying the legal requirements, the real purpose of a retirement plan audit is to ensure your participants are protected. Some of the areas that a plan auditor might comment on are:

- Whether plan assets have been fairly valued
- Whether the participant accounts are accurate – specifically, is eligibility tracked accurately, are contributions each pay period being calculated and funded properly, is the vesting schedule being utilized correctly, were distributions and loans processed accurately, etc.
- Whether there was any issue that would impact the plan's tax status
- Whether transactions that are prohibited were properly identified

Audit Procedures

While the specifics of the audit process can change from year-to-year, the first step of the audit always involves the random selection of participating organizations to be included in the audit by the independent auditing firm. Therefore, your retirement plan has a chance of being included in the sample locations that will be audited each year. The ACCE Benefits Team will notify the Plan Administrator should your organization be randomly selected as part of the sample population for any given year. It is important to note that:

1. All employers who participated in the ACCE plan for all or any part of the calendar year may be selected as part of the sample population regardless of whether or not the plan is still with ACCE at the time the audit is being performed.
2. All organizations selected as part of the sample population are required to fully participate and comply with all auditor requests. Failure to do so may result in severe penalties including regulatory fines, expulsion from the ACCE plan and possible disqualification of your plan by the DOL.

In an effort to minimize the impact the retirement plan audit may have on your daily operations, all field work will be performed at the ACCE offices and facilitated through the ACCE Benefits Team. Therefore, the second step of the audit process typically involves the ACCE Benefits Team collecting any and all data that is required by the auditors and that is not already housed by ACCE or Principal. Examples of the types of data that may be requested are as follows:

- Copies of all W-2s and the W-3 for the calendar year under audit
- Copies of payroll reports and registers for the calendar year being reviewed. Other files as necessary to support hours reported and contribution calculations that are not included within the payroll registers.
- Copies of the organization's financials including trial balance reports and payroll reconciliations. Certified audit financials are appreciated, if available.
- Copies of employee files such as new hire paperwork or termination records
- Payroll procedures questionnaire.

Once the field work begins, the ACCE Benefits Team will collaborate directly with the auditors on your behalf. You can expect little more in the way of requests for additional data or items requiring further explanation at this time, providing all the records previously provided to ACCE are in good order (i.e., clean, and easy to understand) and no administrative inconsistencies are found. To help minimize your time involved during this stage of the audit, we recommend that you follow all ACCE retirement plan administrative procedures as outlined in this manual and provide the ACCE Benefits Team with all items requested during the collection of data phase.

Sometimes as part of the field work phase, the auditors will send confirmation letters to randomly selected employees. These letters will contain specific information about the employee and/or their retirement account, and the request will be for the employee to confirm the accuracy of the information. ACCE will notify you which, if any, of your employees can expect to receive a confirmation letter so that you can encourage a fast response. A high return rate of clean confirmation letters (i.e., no notes regarding inaccuracies of the information that was asked to be confirmed) will mean a reduced amount of additional information that will be requested of the Plan Administrator during the wrap-up stage of the audit. Any confirmation letters returned with notes of inaccuracies or not returned at all will require alternative testing of your plan by the independent auditor to ensure proper plan administration. The ACCE Benefits Team will contact you in partnership with the auditor should your organization require alternative testing.

Once the retirement plan audit completed and final statements are prepared, ACCE will file the Form 5500 on behalf of all organizations in the multiple-employer plan.

Plan Reports & Statements

Scheduled Reports

As Plan Administrator, you will receive communications from Principal through the Message Center in the Principal Sponsor Service Center. Some of the messages will be informational and others will require action on your part. It is your responsibility to ensure that when applicable, the appropriate action is taken. Therefore, it is extremely important to review these messages in a timely manner.

The following chart lists the types of reports you will receive from Principal, the frequency of the report, and required action to be taken, if any.

Name	Description	Frequency	Action Required
Deferral Notification	Report listing any new employee contribution elections or changes to existing elections that need to be updated in your payroll	Weekly, changes only	Yes
New Loan	Report listing any employees who have taken a new loan and the terms of the loan that need to be loaded into your payroll	Weekly, changes only	Yes
Loan Payoff	Report showing any participants who are scheduled to have their loan paid off during the next month	Monthly, if applicable	No
Paid off loan	Report showing any loans that have been paid off and should be taken off your payroll	Weekly, changes only	Yes
Changed loan	Report provides participant loan information for participants experiencing a change in loan terms due to a change in payroll frequency or an additional principal payment	Weekly, changes only	Yes
Defaulted loan	Report showing any loans that have been defaulted	Monthly, if applicable	No
Hardship withdrawal	Report showing any participant who has taken a hardship withdrawal and is suspended from making employee contributions for six months	Weekly, changes only	Yes
Address Changes	Contains listing of all participants who made an address change via RSC website during the scheduled reporting.	Weekly, changes only	Yes
Address Issues	Contains a listing of participant addresses that were submitted by the employer but rejected because the employee recently submitted a different address change.	Weekly, changes only	Yes
Address Missing	Provides a listing of all active participants without address information on file.	Weekly, changes only	Yes

Available Online Reports

You may wish to view a summary of additional plan information in your role as Plan Administrator. The following chart lists the types of reports available to you within the Sponsor Service Center. You may view these reports using the Reports link within the Sponsor Service Center website. These reports can be customized and saved for future reference. Therefore, you may find the reporting feature beneficial in other roles you perform within the organization. Please contact the ACCE Benefits Team for any additional reporting assistance.

Contributions & Loans	Description
Total Participant Contributions	Reflects the total contributions received for each participant in current/prior plan tax years and is broken down by contribution type as of the previous day
Current Contribution Rates	Lists deferral election percentages on record for active participants. The information contained in this report is based on the data available in our records as of the previous business day. You can filter this report using date ranges and other criteria.
Contribution Detail	Provides the contribution and loan payment information that was submitted for each payroll date. The detailed information is broken down per participant and is based on your recently submitted contribution data
Contribution Summary	Provides the total contribution amount, loan amount, and EFT amount for each payroll date based on your recently submitted contribution data
Principal Step Ahead Retirement Option	Lists all active participants who have elected Step Ahead. The information contained in this report is based on the data available in our records as of the previous business day. You can filter this report using date ranges and other criteria.
Historical Contribution Rates	Lists all participants and displays all reported deferral rate changes since 1/1/2005. The information contained in this report is based on the data available in our records as of the previous business day. You can filter this report using date ranges and other criteria.

Loans	Description
Participant Loans	Reflects the current outstanding loans per participant. The report contains the terms of each loan and is based on the data available as of the previous day
Loan Repayment Report	The Loan Payment Report provides loan payment details for the last 27 months at the participant level. This information includes basic participant data, Loan ID, and payment types as well as principal and interest amount per payment.

Investments	Description
Investment Information	Indicates how each participant has invested their retirement plan contributions in the retirement plan. The information listed below is broken down per participant. The basic employee and status information provided is based on the data available in Principal's records as of the previous day. The account values are updated once per month (typically on the 2nd business day of the month).

Employees	Description
Employee Information Detail Report	Provides a copy of the employee information submissions processed through the website. The information contained in the report is based on the date it was submitted.
Participant Census/Employment/Beneficiary Information	Provides basic participant data and beneficiary information. The information contained in this report is based on the data available in our records as of the previous day.
Participant Compensation Report	Provides participant compensation information. The information contained in this report is based on the data available in our records as of the previous day.

Distributions & Withdrawals	Description
Distributions	Provides key distribution information from your retirement plan including distribution amounts and tax withholding as of the previous day.

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Forfeitures	Description
Participant Forfeitures	Provides a list of terminated members who currently have non-vested funds in their accounts and the date these funds will be transferred to the forfeiture account. The information contained in this report is based on the data available in our records as of the end of the previous month.
Participant Forfeitures by Investment	Provides a listing of participants who have had funds transferred to the forfeiture account as well as the forfeiture account activity. The information is broken down by the type of transaction that was processed then further by each participant ID. The information contained in this report is based on the data available in our records as of the previous day.

Plan Sponsor Statements

Plan Sponsor Statements are mailed to each organization within 15 business days following the end of each calendar quarter. This includes fund statements, fund transaction activity and participant account activity. Please be sure to save these statements as part of your record retention procedures.

Participant Statements

Quarterly employee statements are available electronically to employees or mailed to employees' home addresses (if participant has requested it) within 15 business days following the end of each calendar quarter. The statements can also be accessed by employees on the Retirement Services Center site and by employers on the Sponsor Service Center. Participants can choose their statement delivery preferences from their accounts on the Principal website or by calling 800-547-7754.

Plan Terminations & Transfers

Plan Sponsors who wish to discontinue use of the ACCE retirement plan services must notify the ACCE Benefits Team in writing at least 90 days in advance of the desired effective date by completing a Notice for Discontinuance of ACCE Retirement Service (Appendix B).

Plan Terminations

A plan termination occurs when the employer has decided to no longer provide the employees with a qualified retirement plan (i.e., 401(k) plan) as part of the employee compensation package.

In the event of a plan termination, the employer must provide ACCE with a letter of direction signed by an authorized officer. Also, a Board of Directors Resolution stating that the plan is being terminated must be signed by a Board Member and provided to ACCE. Original signatures are required for these documents as they constitute the actual termination documents of your qualified retirement plan.

Prior to a plan termination, the Plan Administrator should:

- Verify that all forfeitures have been used to fund the employer contributions. Any forfeitures remaining after the effective date of the plan termination will no longer be available to the organization. The only legal use of these monies following plan termination is for use of the independent audit costs. *Please contact the ACCE Benefits Team if you need assistance in ensuring your organizations forfeitures are utilized prior to plan termination*.
- Inform participants who have an outstanding loan balance that the loan must be paid off in full or it will be defaulted within 60 days of plan termination. While a loan default will not impact the participant's credit record, the defaulted amount will be treated as a distribution and become taxable to the individual.

▶ **Important Notes**: While not legally required, the employer should notify the employees in writing of their intent to terminate the retirement plan at least 30 days prior to the effective date of termination.

Upon the effective date of plan termination, all participant account balances become 100% vested. Also, the termination of a qualified retirement plan is a distributable event and participant accounts will be distributed as per applicable plan rules and regulations.

Plan Transfers

A plan transfer occurs when the employer wishes to continue to sponsor a qualified retirement plan but would like to move the recordkeeping and custodial services to another retirement service provider.
In the event of a plan transfer, the employer must provide a letter of direction signed by an authorized officer to ACCE. The letter should contain the name of the new service provider, name of the primary contact at the new service provider, phone and email address of the primary contact, and the desired transfer date. ACCE will notify Principal by providing copies of the notification.

Principal will then send a Transition Package to the Plan Administrator for completion. Once Principal receives the completed Transition Package, the transfer date and terms will be finalized between Principal and the new retirement services provider.

While not required by ACCE, we would appreciate a copy of your Board of Directors Resolution adopting the new plan (your new vendor should assist you with this). If provided a copy, ACCE will maintain with our files for future reference of any auditor officer, or governmental agency that may review the plan.

▶ **Important Note**: The employer is legally required to provide the employees a Sarbanes Oxley Notice at least 30 days prior to the beginning of the black-out period that details the specifics of the plan transfer. Your new vendor should assist you with this.

We strongly encourage all Plan Sponsors who are considering plan termination or transfer to contact the ACCE Benefits Team <u>prior to finalizing any decisions</u>. The ACCE Benefits Team is prepared to provide consultative services that will assist you in determining the best solution for you and your employees.

Appendices

Appendix A: Plan Expenses

During a typical year, the cost of the retirement plan comprises two components: asset-based fees and administrative fees.

Asset based fees are comprised of two items for the plan, primarily the expense ratios for the plan investment options and the plan asset-based fee. The participant's personal rate of return is calculated net of these fees. A unique feature of the ACCE Benefit Trust Profit Sharing plan is low asset-based fees charged to participant accounts. This is due to the size of plan as a total sum of all the participating employers and the negotiating strength of the ACCE Benefit Trust with any vendor providing services to the plan.

Administrative fees billed to the employer are calculated annually and debited from your checking account on a quarterly basis.

There are two fee schedules for the plan:

1. Normal fee schedule $1,250 plus a $50 participant fee.
2. Mighty Mini fee schedule $1,000

The administrative fees for your plan are recalculated annually based on the number of eligible participants at your organization and plan design features.

Invoices are prepared quarterly on the last day of each quarter (Mar 31, June 30, Sep 30, and Dec 31) and are available to the billing contact for you organization through their ACCE Portal. There is no need to send payment. We automatically process the debit from your checking account on or about the 15th of each month following end of quarter (Apr 15, Jul 15, Oct 15, Jan 15).

Occasionally, unusual circumstances can occur which would require services for your plan that are not part of the recordkeeping services included in your annual administrative fees. Please refer to the schedule below for a list of such supplemental services and the fee your organization would incur should you require these services.

Unlike the annual administrative fees that are debited from your checking account on a quarterly basis, the fees listed below will be billed to you at the time of service and payments should be made by check and mailed directly to Principal.

Service	Fee
Additional ADP/ACP Testing	$150 per hour
Special Compliance Testing	*Number of Participants*: 1-50: $250 an hour with a $750 minimum 51-100: $250 an hour with a $1000 minimum 101-250: $250 an hour with a $1250 minimum
Untimely Contributions	$225 per calculation
Plan Operational & Money Source Corrections	$125 per hour

Appendix B: Notice of Discontinuance of ACCE Retirement Services

Organization Name: ____ **Location:** ______

1. What is the desired effective date for discontinuance of ACCE retirement plan services?

   ____

2. What type of plan change does this represent?
   - ☐ Qualified Plan Termination (answer #3 and #4)
   - ☐ Transfer of Existing Qualified Plan (answer #5 and #6)

3. If this is a termination of the qualified retirement plan, are you replacing the plan with another retirement vehicle?
   - ☐ No
   - ☐ Yes, please indicate type:
     - ☐ SEP IRA
     - ☐ SIMPLE IRA (Warning, cannot be offered in the same calendar year as the qualified retirement plan)

4. What is the reason for the plan termination?
   - ☐ Cost
   - ☐ Low Participation
   - ☐ Other ____

5. If this is a transfer of the qualified retirement plan, please provide the following:

   New Provider

   Primary Contact Name: ____

   Primary Contact Email: ____

   Primary Contact Phone: ____

6. What is the reason for transfer? (*please check all that apply*)
   - ☐ Cost
   - ☐ Investment Options
   - ☐ Employee education
   - ☐ Local pressures
   - ☐ Fiduciary concerns
   - ☐ Administrative
   - ☐ Other: ____

Must be signed by President & CEO or Executive Director

Name: ____ Date: __________________________

Completed forms must be sent to accebenefitsteam@acce.org at least 90-days prior to desired effective date.

Appendix C: New Hire Checklist

1. Provide all employee orientation materials at new hire orientation including:
    a. Summary Plan Document (SPD)
    b. Plan Highlights
    c. Principal Access Guide
    d. Principal Retire Secure Guide
    e. Participant 404(a) Notice – updated quarterly and available on the ACCE 401k Administrator Resources website and Principal websites.
    f. QDIA Notice
    g. Safe Harbor Notice – if applicable

2. Enter the following employee data into the Principal website upon date of hire:
    a. Social Security Number
    b. Name
    c. Home Address
    d. Work Email
    e. Date of Birth
    f. Date of Hire
    g. Gender

    If an error message appears that the employee is unable to be added, then it means they are already in the system and are likely immediately eligible. Please email the ACCE Benefits Team immediately with the employee's full name and date of hire so we can assist adding the new employee to your plan.

As a reminder, all employees will receive predecessor service towards plan eligibility if they have worked for another ACCE member organization. Please contact us if you would like us to research potential predecessor service in advance of any new hire employee start date.