Understanding Your Plan Design Options

As a plan sponsor, you can join a pooled plan arrangement and still decide how your retirement plan is set up.

The choices you make about plan design affect how employees save, how the plan fits with your benefits and how easy it is to manage. As you look at your options, keep these factors in mind.

Employer Contributions

You have flexibility in how you handle employer contributions. Many plan sponsors choose options based on their workforce, participation goals and costs

You can choose to:

- Allow employees to contribute to the plan through pre-tax or Roth after-tax payroll deferrals.
- Add an employer-matching contribution to encourage participation.
- Set employer contributions as discretionary or required.
- Include a profit-sharing contribution for eligible employees, with allocations permitted under federal guidelines using factors such as compensation, years of service, age or merit.

You can use these options on their own or combine them, depending on how you want your plan to work.

Safe Harbor Options

If owners or highly paid employees have faced limits on contributions in past plans, you might want to consider a safe harbor option.

If you make a required employer contribution, either as a match or a set amount, your plan may let eligible employees contribute up to the full IRS limit. This setup can also help you avoid corrective refunds by meeting nondiscrimination testing rules.

Eligibility

Eligibility rules decide when employees can start joining the plan. You can set these rules to match your workforce, hiring practices, industry standards and budget.

Options may include:

- Immediate eligibility upon hire.
- A defined period of service before entry, such as one year.

When you start the plan, you can also let current employees join right away, even if they haven't met previous service requirements.

As a plan sponsor, you can design a retirement plan that fits your goals, supports your employees and fits your budget.

Even in a pooled plan arrangement, you can still make plan design decisions based on how you want your plan to run.

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Vesting Schedules

Vesting sets the timeline for when employees own the employer contributions. The schedule you choose often matches your goals for keeping and rewarding employees.

Common vesting approaches include:

- Immediate vesting, where employer contributions are fully owned right away.
- Graded vesting, where ownership increases gradually over time.
- Cliff vesting, where full ownership occurs after a set number of years of service.

Each alternative offers a different mix of flexibility and long-term planning.

As a plan sponsor, you can build a retirement plan that fits your business goals and helps your employees get ready for the future. Our plan design specialists can help you review your choices and find a plan structure that works for your organization.

Enroll today by calling 800-923-2732 or by visiting myplanconnection.com.