

Multiple Employer Plan Conversion

Blackout Period

Invest n Retire, LLC (“INR”) does not impose a blackout period for allowing employees to provide instructions for management of their investment accounts by logging into the INR participant site and choosing a different asset allocation model (AAM) vs. the default model (QDIA). INR processes payroll files immediately by investing the money according to each participant’s AAM.

However, there will be a blackout period imposed by the prior recordkeeper/TPA/custodian. Therefore, in order to avoid confusion, the difference between a blackout period for requesting distributions and a blackout period for managing investment accounts must be distinguished.

Each Adopting employer will need to provide the employees with a blackout notice 30 days prior to the beginning date of the blackout period imposed by the prior provider. The notice must also include the ending date the blackout period expires.

Therefore, the Adopting employer also needs to find out from the prior provider the duration for the blackout period which the provider will impose. The time period is usually 30 days, but some providers impose a 60 day blackout period before the provider will (a) liquidate assets, (b) transfer cash to the new custodian, and (c) deliver the conversation files to INR. During this blackout period, the employees are not allowed to request distributions since their assets are still being held at the prior custodian.

When an Adopting employer plan is added to INR recordkeeping system (“RKS”), we will communicate with the Adopting employer and payroll provider in order to add employee information to our system and coordinate receipt of payroll files.

We will also communicate with the Adopting employer and prior providers in order to coordinate time periods, transfer of assets, and receipt of the conversion file. If you have any questions, contact Dan Kluza, Director of Marketing, by email at daniel@investnretire.com or by phone (503) 419-2894 x 103.

General Information:

The Adopting employer is required to provide participants and beneficiaries with at least 30 (but not more than 60 days) advance notice of a blackout period. A blackout period imposed by “prior service providers” prevents employees from initiating transactions; such as, requesting a distribution.

A blackout period is imposed in order to provide the prior recordkeeper time in which to reconcile account balances, liquidate holdings, transfer cash to the new custodian, and deliver conversion files to the new recordkeeper.

During the blackout period imposed by the prior recordkeeper, INR provides participants with access to INR’s proprietary Internet site so that participants may manage their investment accounts by issuing instructions to change their asset allocation model, view plan details, and view general investment information for educational purposes.

Initially, the participant’s holdings will be zero until INR (a) receives the first payroll contribution or (b) the transfer of plan assets are received at the custodian from the prior custodian.

CONVERSION / TRANSFER PROCESS

STEP 1

Receipt of executed agreements from Adopting employer joining the multiple employer plan.
Establish custodial account at TD Ameritrade and begin transfer process of assets from prior custodian.

STEP 2

Access INR participant site: INR requests Adopting employer or payroll provider to provide employee information which includes; first name, last name, DOB, DOH, DOT, DORH, and social security #. Information uploaded into RKS which allows employees to log into the participant site.

Login: <http://www.investnretire.com> - click Participant Login. Employees log in using their social security number, as the login, and last four digits of their SS # as the password. Employees may change the password after logging into the Participant site.

Initially, all employees will have the status of Ineligible. By logging into the site, employees may change their asset allocation model, if desired, before receipt of the first payroll file from the payroll provider and before receipt of conversion assets from the prior custodian.

Qualified default investment alternative (QDIA): The asset allocation models (AAM) are designed by the Plan Investment Consultant. Each employee will be defaulted into the default QDIA model. Once an employee logs into the INR Participant site, the participant may change his or her model, if desired.

STEP 3

Payroll file, employee status, and deferral contributions: Receipt of first payroll file. **ACH deposit:** Payroll contributions are processed as ACH deposits into the Plan account at TD Ameritrade. After TD Ameritrade receives the ACH cash deposit, INR invests the payroll contributions according to each AAM.

INR Receipt of first payroll file: Compute each employee's pre-tax deferral contribution percent. If an employee is contributing a percent greater than 0%, INR changes employee status from ineligible to enrolled. In this case, the employee is not automatically enrolled in the plan since the employee is already enrolled; therefore, the employee may not opt-out.

Eligible to join the plan: For any employee who is not contributing, but who is eligible to join the plan (service requirement met based on elapsed-time-method - 6 months service from date of hire (DOH), age 21, and plan entry date passed), the employee will automatically be enrolled in the plan with the status of enrolled. In this case, the employee is automatically enrolled and has the option to opt-out within the designated time-period.

Employee status: An employee with the status of ineligible or eligible may not enroll in the plan or make deferral contributions. An employee with the status of eligible/not/deferring may enroll in the plan (service requirement met and plan entry date passed).

If the plan includes automatic enrollment, an employee who has met the eligibility service requirement, age requirement, and the plan entry date has passed – then the employee will automatically be enrolled in the plan.

A terminated employee with an account balance may access the participant site to manage his or her retirement account and request a termination distribution, if desired.

Automatic enrollment: An employee who is automatically enrolled in the Plan will have the status of enrolled. Enrolled employees may request a change in his or her deferral election.

Employees who are automatically enrolled may opt-out within 90-days after the date of the “first payroll deferral deduction” without incurring a 10% tax penalty. Refund: The employee will pay income tax on any amount refunded to the employee. Any employer matching contributions will be forfeited.

If an employee opts-out, employee status changes from enrolled to eligible/not/deferring which allows the employee to enroll in the Plan.

STEP 4

Vesting status: INR requests historical payroll information from Adopting employer or the payroll provider in order to compute vesting percent based on vesting schedules and service requirements.

Extract data from payroll database. Electronic file format may be CSV or Excel. Extraction includes:

1. Social security number
2. First name
3. Last name
4. DOB
5. DOH
6. DOT
7. DORH
8. Total payroll hours for calendar year (plan year is based on a calendar year)
 - a. Safe-harbor match: Matching vesting schedule is 2 yr cliff which requires 2 full calendar years of hours; plus, hours for current calendar year up to receipt of first payroll file
 - b. Optional: Employer discretionary contribution vesting schedule is 6-yr graded – requires 6 full calendar years of hours; plus, hours for current calendar year up to receipt of first payroll file

STEP 5

Receipt of conversion assets: Prior custodian wires conversion assets (CASH) to TD Ameritrade.

Receipt of participant records: Prior recordkeeper sends an electronic conversion file to INR.

STEP 6

Asset transfer, reconciliation, and investment of cash: INR reconciles receipt of assets at TD Ameritrade with participant information contained in the conversion file. After reconciliation, INR invests the conversion assets (cash) in accordance with each participant AAM. After the conversion transaction is posted, participants may request distributions; such as an in-service distribution or hardship withdrawal.

Miscellaneous Information

Deferral change requests: When employees request an online change in their deferral contribution, the payroll provider is sent an automatic email report daily which lists each employee’s deferral change request (pre-tax, Roth, and/or catch-up).

For deferral change requests generated due to enrolling, automatic enrollment, or opting-out of the Plan, the report will indicate that the employee enrolled, was automatically enrolled, or is opting-out.

Vesting schedule: The Plan includes automatic enrollment under the PPA provision, Qualified Automatic Contribution Arrangement (QACA). Under the QACA the match source must be 100% vested based on a 2-yr cliff vesting schedule.

The Plan also includes an optional discretionary employer contribution source (profit sharing) which incorporates a 6-yr vesting schedule. To compute the vesting percent for the 6-yr vesting schedule, INR will request total historical hours for each employee for 6 full calendar years; plus, total hours for xx months in the current calendar year up to the date of receipt of the first payroll file.

Loans: Loans to participants are not permitted in the plan unless originating under a prior plan and converted to this plan as a qualified rollover distribution or transfer distribution. Such a loan may retain its pay period, but no revisions to any loan will be allowed.

Existing loans under an Adopting employer Plan: Participants with existing loans may transfer their loans to the multiple employer plan. This avoids requiring participants to pay-off the loan during conversion. However, no new loans or revisions to existing loans; such as refinancing, will be permitted.