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## 2025 Fiduciary Training Series, Part 3: Elevating Plan Design (Webinar Recording)

**Lisa Caito:** My name is Lisa Caito and I'm the director of Plan Consulting team here at CAPTRUST. Joining me today is Andy Larson and Catherine Ellis. Andy is the Director of Retirement Plan Education at the Retirement Learning Center. He has over 35 years of experience in the financial services industry. Andy is a respected authority, frequent lecturer and author on industry topics.

Andy's background includes managing and consulting with major record keeping platforms, extensive product design for plan sponsors and advanced sales support for intermediate intermediaries who work with the plan as a retirement industry executive. He ran the record keeping consulting practices for Universal Pensions Inc.

And headed the B Corporate University. Andy is a co-author of RLCs book Retirement Resource Guide. Essential ERISA education and best practice for financial advisors. He is the graduate of the University of St. Thomas in St. Paul, Minnesota and maintains a certified pension consultant or a CPC designation from an American Society of Pension Professional actuary.

Also with us today is Catherine Ellis. She is in our CAPTRUST Austin, Texas office as a financial advisor responsible for helping institutional retirement plan sponsors prioritize and execute plan design initiatives. She has been in the industry for almost 20 years and joined CAPTRUST in 2019. She specializes in institutional investment consulting, asset allocation, retirement income solutions, as well as defined contribution, defined benefit plans, and non-qualified and not-for-profit plan.

Catherine utilizes a client-centric approach to help retirement plan sponsors investment committees and board members create and implement plan initiatives to improve retirement outcomes for their people. Reminder that we will not be answering questions today during the webinar, but if you do have any questions, please add them to the q and a box.

We will respond to all questions after the webinar. Andy, I'm gonna turn it over to you.

**Andy Larson:** thank you very much. I appreciate the. A generous, introduction and I'd just like to, before we get started, note that when we talk plan design, oftentimes a lot of gets, it gets into a very techy discussion of a lot of ERISA geek speak, and that's what I love to do is the ERISA nuance and geek speak, but my handlers have told me that.

that a lot of people, that's not exactly the best way to keep audiences awake. So we're gonna try and be real practical. and to that extent, my, my background for many years, I did document drafting and, document approvals and all that stuff. So I am, I'm pretty familiar with what's, how plan documents can operate.

Then my life changed, some would say for the worst. And I got into record keeping and I had to administer some of the nonsense, that I had drafted, and I escaped that role about 15 years ago. So I tell people I'm a recovering record keeper. So hopefully we can give you some insights, not only from a document perspective, but also from the perspective of the record keeper and what that means for plan design and features and options.

And hopefully for plan sponsors and your advisors how to more effectively work with your record keeper when it comes to, plan design. So with that, let's go to the next slide,

Overview of what we're going to chat about today is, obviously the importance of plan design. next we're gonna talk about a topic that hasn't really gotten any attention, and that's why plan design has been so de-emphasized. Then we'll talk about, strategies to help sponsors in their plan, amendment and design process, and how we can align provisions with objectives.

and then talk about some of the more subtle opportunities for plan design. Things that, nowadays don't get a lot of attention. For example, we'll spend a little time talking about the exciting process of compiling and counting hours of service, but, there's ways to run a plan without counting and compiling hours of service.

And we'll talk a little bit about that. Next slide please. next slide please.

The goals of plan design. In summary, the goal of plan design is to help ensure that the plan helps promote. the culture of the organization helps promote the objectives of the organization, helps to involve and energize, and include the

participants and what's in my view, unfortunate is when I talk to plan sponsors, and I don't care if it's a 50 life plan or a 500 life plan or a 75,000 life plan.

A lot of the times we talk about plan design. They wanna get in and start talking about this provision, that provision, the other provision. And what I find missing and what I try and do is get plan sponsors to back up and let's talk about your organization, your culture, your values, your mores, your initiatives.

Because plan design, in my view, shouldn't execute in a vacuum. It should be executed within the context of the organization's cultures and values. And what provisions, what can we do in the plan to help, promote that? So at a high level, before I would encourage any, plan, design, discussion, or amendment discussion.

I think it's time. It's important to talk about the organization, where it at, where it's at today with regard to, again, its staff, its culture, and where we want it to be. That in my view is the first step. Next slide, please.

Now, this might be a little bit of the controversial part of the presentation, and I contend that plan design is a lost art. What do I mean by that? let's, I'm gonna shift back to when I got started, in the industry. Just after ERISA was passed. We didn't have prototypes, we didn't have anything like that.

And I remember I was a consultant and I proudly sold my first plan. And I went into my boss, the owner, I said, Hey, I just sold a plan. He said, great. And I said, what are you doing? what's next? And he looked at me and he grinned. He said, oh, now you've gotta write the plan. Document. Okay, how do I do that?

Anyway, what we did is we spent time with plan sponsor explaining provisions, explaining options, and really crafting the plan to what they were looking for, and then reducing that to writing. Now clearly. that was back in the days of the dinosaurs, we were typing plans up on typewriters. Okay? We didn't have a, a computer in the place, but we did get good at listening to plan sponsors and trying to create a plan that met their needs.

We got really good at that. Now. Then 84 came about, we started getting prototypes. Now we've got more modern versions of that, and frankly, the modern plan documents are shockingly good in terms of options and features for plan sponsors. However, enter the record keeper, and as I mentioned, I've been in a record keeping role.

I've run record keeping shops. I understand the margins. They're pretty narrow if you don't do things correctly. So what did I do as a record keeping exec? I wanted plans set up to be simple. I wanted plans set up to get done quickly. I wanted provisions that didn't cause problems. I wanted the plans to be administered with as little hassle as possible because my compensation was largely based on how efficiently I ran that shop.

So what did I do? Simple. I created a plan set up checklist that had very few and very narrow provisions, and this is what the general customer saw. This is what plan sponsors saw. They had very few options and choices and generally. They didn't know they had any other options or choices, so they went along with it.

Then our friends in the Congress, passed a provision allowing for 401k Safe harbors, which that bill should have been the Record Keeper Relief Act, because that meant we got to skip a whole bunch of compliance testing and we loved safe harbors. So guess what? The default was a safe harbor. Safe harbor gets a lot of press, a lot of publicity.

Now everybody has a safe harbor. And let me be clear, I'm not saying anything wrong with safe harbors. They fit in many situations. They fit. However, I've seen plenty of situations where that plan sponsor doesn't need a safe harbor because they haven't been engaged holistically. With regard to objectives and goals and culture via the plan design.

So what's the takeaway? What's the practical side? And I'm not, trying to, or attempting to besmirch record keepers, that's a heck of a way to, to make a living is to be a record keeper. It's high pressure and a lot of work, but the defaults are narrow. So what should we be doing? We should be asking about features and options that might not be on the checklist.

As an example, let's say we've got a plan that's been having trouble with, accuracy with eligibility or contributions, and they struggle with, accurate, payroll codes and they struggle with accurate, hours calculation. If we have a client that's struggling with hours, maybe we can use a methodology called equivalency or a methodology called elapsed time where we don't have to round up hours.

And I'm not saying you should or shouldn't do it, I'm just saying there are options and choices out there that nowadays generally aren't that much very familiar in terms of the plan sponsor community. So the good news is plan sponsors have access to high quality, good documents. The key is finding a good consultant, helping 'em understand what their options are, getting,

understand what the organization's trying to do, and electing provisions that meet those goals.

And the record keeper, will Coordin will coordinate and cooperate with this? Absolutely. The record keepers want to keep their plan sponsors happy and they've got a lot of flexibility once we get beyond the default checklists.

Next slide, please.

Again. Record keepers, TPAs, the margins are tough. There's keeping plans. Simple is easier, obviously for the TPA for the record keeper. But now let me go on the other side of things. That doesn't mean plans should be complex, for example. typically if you see a plan that has as a, an illustration, one set of eligibility for deferral, another set of eligibility for match, and a third set of eligibility for employer or profit sharing contributions, if you have plan with three types of eligibility, I'll bet you a steak dinner at Ruth's Chris.

That 75% of those plans have serious compliance problems operationally with regard to those issues. So complexity has a price, and I'm not saying that complexity is good or complexity is bad, it's just if you have a complex plan, in my example, three eligibility elements, what processes do you have in place to make sure that's being done correctly and accurately?

And again, I mentioned payroll codes. Just to get into a very tactical detail, many record keepers, basically run everything based on payroll codes. for example, this new adventure we're in the middle of with these enhanced, catch up Roth contributions where we got the new regulations Today, several of the big record keepers are now rolling out new payroll codes.

that's great. But the other 47 codes aren't used all that accurately either. So I'm not sure this one will be. So again, just because simplicity can be good, complexity can be an issue Also, the key is letting the plan sponsor know they have options and choices and then, the trade-offs. Next slide, please.

Now I work with, a lot of the, teams around the countries that, that, works on plans and by and large teams traditionally have approached plan sponsors, with their investment credentials and their investment skill sets. what, what's happening, and again, I don't mean to reign on anybody's parade.

But I do a lot of work with, plan committees, and don't,when I work with committees, we work on governance structure and one of the, one of the things that I think can really comes across is while the investment side's important,

that's what most of the teams are focusing on, where I see some teams being really successful.

is really focusing on the plan design and getting, the opportunity to talk to plan committees about the culture, the values, the et cetera, and allowing those discussions to start being brought up in plan committees beyond just discussing investments and clearly investments are important, but so is the plan.

And the plan, design, if we're going to use it to meet any goals. so far I've been doing all the yak and, any of my co-presenters wanna jump in with observations or. The only thing

**Catherine Ellis:** that I would add, Andy, is just that the majority of the individuals that are attending our conversation today are plan sponsors.

And the benefit of partnering with CAPTRUST as your consultants and your advisory partner is that we support you in these conversations into Andy's point. This has been a challenging environment, that increasingly is becoming more challenged, from getting that type of expertise and technical support from our record keeping partners and our TPAs.

And to your point. They're willing to partner alongside us when we identify needs and goals and identify solutions and move forward with those. But it really takes that trifecta, right? Yeah. the stool approach. and it starts with understanding the needs of our clients. So first and foremost, I just commend you all in choosing CAPTRUST to be your partners.

**Andy Larson:** And I think that's an observation because there's a skillset that. You all at CAPTRUST bring to the equation that's not the norm, and that is you all because of your background, understand the record keeping world and understand, the document side of it. So just the skillset of helping a plan sponsor teaching, working with a plan sponsor to help them work more effectively with a record keeper.

With the TPA is something that, that you all bring to the table and frankly, there's value in that. very much next slide please.

next slide.

Okay. This is the plan design. Process. Identify goals and objectives. Choose the document, understand the options, design the plan, and then reevaluate. Create straightforward. Here's the problem. When most plan sponsors, when you all are

contemplating amendments, the step here that gets the least amount of time is step one.

We talk about. A few key provisions, features, and bang, we wanna get to 2, 3, 4, and five. When a well executed design process, I would contend that step one takes the most time. Step one, in my view, really isn't talking about plan provisions. It's talking about that organization. What are you trying to accomplish?

Tell me about your employees. What are your challenges? What's your culture like? Once that is talked about, then we bring up the notion of what are you trying to accomplish? And oftentimes when you bring this up to plan committees, what are we trying to accomplish? They everybody looks at each other in the room and start looking at their feet and looking, because it's not common that this gets talked about.

But really step one should be about what we're trying to accomplish with the plan amendment. Now, some cases, plan amendments are easy. You're just amending the plan to conform to what the law says. that's pretty simple. But let me give you an example of, step, a step number one situation that just surprised me.

last fall I was in the Denver Airport and there were signage all over the Denver airport. Advertising a 9% match for employees of a certain org, a certain, airline. And clearly what they were using is they were marketing to the, to employees of other entities. Worked at the airport that this organization had this generous match.

And this was all over the airport. And it's the first time I'd ever seen a plan provision in this case, matching used offensively. As a recruitment tool. And interestingly, as I was waiting for my flight, there was an individual there wearing the uniform of that airline and I just asked them about that and she just lit up.

She was all excited. She goes, oh yeah, we're really all excited about that. And that really was a big thing for us. and it was just a real positive discussion about how the organization used a plan provision to further. The, the needs of the corporation and frankly inspire, the employees.

So that's why step one is so important and staying into step one until it's really clear, then jump in and go deep. Any other comments on the steps?

**Catherine Ellis:** Yeah, I just wanted to add that it can be something as simple as a desire for a plan sponsor to want to add flexibility for participants that could broadly inform decisions around distribution rights, hardship provisions you may allow, whether or not you have loans, things of that nature.

So it's really important that you understand what you're trying to achieve first, because it will inform so many more trickle down decisions later.

**Andy Larson:** Excellent point,

**Lisa Caito:** I think as well, knowing the why, there may be multiple ways to accomplish the why, that fit the needs of the employer. There's not necessarily a one size fits all, so understanding the why and how we're gonna get there is the best options.

**Andy Larson:** Excellent comment. Next slide, please.

So in step one, and I'm not gonna go through these in any, any detail, but again, the key to step one is that column on the left, what's the goals, what the objectives are. In some cases, look at the bottom. It may be simplification, some cases, recruitment as the example I mentioned with the, the Denver airport.

But step one. That's the key. And if you can outline as a plan sponsor, the step one on the left, the folks at CAPTRUST their background, that's what they do is connect the dots, connect the objective with the plan provision, and then talk about the trade offs in terms of this provision or the other.

That's, that to me is where I think we get a lot of value.

**Lisa Caito:** I would also add to that Andy, knowing what the goals are, it may be a one to three year goal or a strategy behind what we're trying to accomplish at the end of the, at the end of this, of the three years. Obviously budgets play a big part in all of this, right?

So when you're looking to change an employer contribution or you're looking to change something like an eligibility condition, that may impact that employer contribution. Looking at it and doing a cost analysis and maybe looking at it over a two to three year period so you can budget for it. See, and they can be done right away, but other things, they may require some planning and that's what CAPTRUST is here to help with.

**Andy Larson:** Agreed. Next slide, please.



this. Again, not to belabor the step one, but it really begins with asking and having the committee ask the questions. things like, are the employees investment savvy? Are you having testing issues? are there certain groups of employees that potentially just soon not cover? Some organizations have employee groups with low participation rates, high turnover.

and frankly, many corporations decide that, that segment or that employee group just exclude them and use the assets, and budget, with, with others. So again, it's these broad questions that, that can really uncover the nuggets that make the plan design, really work with corporate objectives.

Next slide, please.

choosing the document format. Again, this isn't too applicable nowadays. We've got very good specimen and volume submitter type documents. Any other comments on document? The only thing

**Catherine Ellis:** I would add is just, whenever you're looking to potentially change providers, there are different. I would say maybe nuanced differences between the language of provisions or what may be in one plan document versus what might be in another pre-approved plan document, which may warrant things like addendums or things like that to a formal plan.

It doesn't mean you have to have a prototype or your own form, document that's created by an ERISA attorney. It just means make sure that things transfer over properly. That we don't lose plan design features and nuance differences in the language. and work closely with your advisor partner to just monitor that through the process.

**Andy Larson:** Good advice. Next slide. Please,

understand, the design options. Understand the trade-offs. For example, if you don't use a safe harbor, what's the trade-offs? The trade offs are then you potentially may have, certain types of testing failures. That sort of creates some frustration amongst the highly compensated, the plan that wants to have three kinds of, three eligibility provisions.

what's the trade off? They're going to have more operational errors unless you've got some really tight processes. So understanding what you're buying is important. And as plan sponsors, the advice I would give you is you start talking about these provisions, asking the record, keeping, ask.

Ask tp what's the trade off, what's the downside, what's the upside? You understand what's your, what's you're buying, essentially.

**Catherine Ellis:** That's such a good point, and it made me think of something else that's tangentially related. But as you're validating, the different provisions, how the implications of taking them are not.

While we may not be doing a custom document, oftentimes we're doing some type of volume submitter type document from the provider. Tell us from your opinion, we certainly have our own opinion on who owns those decisions once they're made. Who owns the provisions, how they work. Is it the provider who got the document approved by the IRS?

Or is it the plan sponsor who elected the provisions within it?

**Andy Larson:** Yeah, there's this thread that runs from the plan document to the benefits and the payroll department or a payroll provider to the record keeper. And interestingly enough, all those entities need to be communicating about these provisions.

And in fact, prior to finalizing this, I urge plan sponsors to have. Representatives from the HR and benefits, obviously from your payroll department, from your IT department, and then a representative from the record keeper. Going through all this, it's easy to make the decisions at a strategic level, but what happens, frequently is the sort of the underlying wiring and plumbing never quite get, gets lined up right.

So that's where, in this stage, involving payroll providers, involving record keepers is really gonna save everybody a lot of headache going forward.

**Catherine Ellis:** You are right from an administration standpoint, but I'm gonna flip this one back to you, Lisa. From our perspective, who owns the provisions that are elected?

**Lisa Caito:** I think technically the plan sponsor owns them and is responsible for following the terms of the document. That's right. That's a common transception. Yes. I think though, to add just a little flavor to Andy's,

I see it a lot, especially when looking at compensation. And then to make sure your payroll department, is involved in these conversations because. A lot of times you'll hear Recordkeepers say you need to follow the terms of your document. And I kind of challenge that a little bit.

And I'm a re, I'm a re, I'm a recovering record keeper as well. So I challenge that a little bit because I'm like, why don't we write the document the way the plan is being operated, right? So what I always like to do is have those discussions and have our payroll, have the payroll department pull those payroll codes, right?

And let's put them up against the definition of compensation and the plan document. are they still correct? Because a lot of times we've all seen it where an employer will add a payroll code or add a bonus or some sort of a commission midyear, and the payroll card department just goes along the way, right?

We add it and we move on and we don't complete that circle and go back to the plan document. So I think it's always a good practice at least once a year to go back, pull those payroll codes and look at the definition of compensation to make sure everything is tighten tightened up.

**Andy Larson:** stated, and just as an illustration, I had met, I've met several times with a committee of a Fortune 100 company, one of the largest 401 Ks in the company, in the country.

And we got into the eligibility discussion and it, the end of the story was the plan committee assumed the record keeper was handling eligibility. the record keeper was not handling eligibility and they had a significant issue with eligibility and I, and just to, not to beat that one, but as a takeaway from this, all the plan sponsors in attendance, I would ask, make sure you ask your record keeper or your TPA, who's responsible for eligibility determination.

And passing the respective data around, because when you look at your contract, it's more than likely going to be you as the plan sponsor. Now that comes as a big surprise and it shouldn't, so that goes to the point I think we, those of us in the industry can do a better job of helping plan committees, understand that sort of, frankly, the buck stops here with the plan committee, with regard to these provisions.

**Lisa Caito:** I think we also all need to, remember, we're talking a lot about this could be an issue or that could be an issue, I, oops, happen, right? Something will happen in the lifecycle of the plan. And the key to what to know really is that CAPTRUST is here as well to help talk about the options that we have to correct under the IRS correction programs.

A lot of things can be self-corrected these days. and it's a matter of owning it, finding out what the mistake is, and then we can turn around and get it corrected pretty quickly. don't be scared when we talk about this happens or that happens in every plan at one point or another.

And that's why we're here, to help you with that as well.

**Andy Larson:** And I'll echo that comment. And the good news is plan sponsors IRS Department of Labor know things go wrong. They understand that. And that's why the various correction corrective programs are very employer friendly. The IRS and DOL folks are very good to work with.

These programs are by and large, pretty easy to work with. The only thing that, that the IRS and DOL don't put up with is plan sponsors that have errors and problems, and don't fix 'em when they find them. If you find an issue, I should say, when you find an issue, get on it, fix it. You're gonna have no trouble with IRS and DOL.

Next slide, please.

I'm gonna skip over this unless one of the other folks have a comment.

**Catherine Ellis:** No, I think we hit it in our comments. So good job everyone.

**Andy Larson:** Okay. reevaluate, ongoing basis. next slide please. sample profiles. next slide. again, and these are very simplistic, but they illustrate. We have a, let's say we've gone through step one and we, want to allow highly compensated to defer additional amounts.

GA potential design solution may be a safe harbor. what's the trade-offs? you're gonna have less testing issues, but the employer contributions may cost more money. That's the trade-off. Next slide please.

Just a simple example there, unless somebody wants me to go through it. I think we'll just keep going and how this works. the pros, the cons. and frankly, again, this, what we're looking at is part of that step one pro con, what are the up and down side of our potential decisions? Next slide please.

Profile two. the sponsor wants to augment matching for certain employees to encourage retention and recruiting. How do we do that? again, as we've noted, organizations have budgets. We only have so many dollars. So what can be

done, and I'll use an example that I worked on, was a fast food franchise organization in the upper Midwest.

And, they were having struggling, to get managers and assistant managers now, and their comp schedule was managers and assistant managers weren't highly compensated. So what, we ended up doing is excluding the highly compensated from the plan and then giving, managers, a 400% match and giving assistant managers a hundred percent match and everybody else like a 10 cent on the dollar match.

And that was highly successful. It drove a lot. it drove the types of managers that they wanted and assistant managers, and it allowed for, it was very successful. Now, you can have different benefit formulas in a plan for different employee groups. There's compliance testing has to be satisfied, but plans don't have to be one size fits all.

Next slide, please.

we'll skip this. What, over the next slide. Multiple benefit structures. the pro targeting, my example group receiving more contributions. The con the plan became more complex and in their case, there, there was some increase in the cost. But again, that was part of the overall expectation.

Questions or comments on this before I move on? No. next slide please. I alluded to this earlier. sometimes plan sponsors want to allow highly compensated to increase their deferrals and they don't want to use a safe harbor. what can you do? You can exclude groups. For example, you could exclude the shipping company.

You could exclude the design element of a company. You could exclude, certain groups of employees by class from the plan overall, and then that excluded class won't count against your testing. Now, there are limits on how many and what percentage you can exclude, et cetera, et cetera. But it can be done.

And where it works very well. As an example, probably the best illustration of this is probably law practices. Law firms, have turned this into an art form to maximize contributions for the senior partners to the, detriment of the junior partners. But, it works well, for the organization as long as you're not a junior partner.

Next slide, please.

we can, we'll skip the detail here, pros and cons. It does add to complexity and there could be dissatisfaction with the excluded, excluded group, but it is an option in some cases. Questions on this one? Comments. Any, anything else we wanna mention?

**Catherine Ellis:** No, I think the only thing that I would add is these are really great examples.

So just some baseline provisional changes that you could make to fit a need. it is one of multiple solutions that could be adopted potentially, but they're just great examples for plan sponsors to consider for the purposes of today's training.

**Andy Larson:** And the big takeaway here, again, the plan sponsors. You all don't have to be experts, but just know you don't have to treat.

Every employee the same way. you can do different things for different classes of employees, including some ability to exclude them overall. Alright, next slide.

**Lisa Caito:** All right, it's quiz time, so hope everyone's ready for the quiz. We're gonna put up a polling question, about these scenarios and you're gonna have about 30 seconds to 30 to.

Seconds to a minute to answer. which of the following are true regarding a Safe Harbor 401k plan? A Safe harbor design plans allow HCS to maximize deferrals. The a DP test is deemed to be satisfied. C, the employer contributions are required. D, all of the above, or E, A and B only.

Andy, are you gonna sing the Jeopardy music for us?

**Andy Larson:** I assure you, you would not want to hear me attempt to carry a tune.

Okay, give it a few more seconds. Let's see how we did here. we're still getting more votes coming in. Alright, we'll keep, yeah, we're still getting more

**Lisa Caito:** responses and they haven't slowed down yet, so we're gonna do appreciate the participation though. Absolutely.

**Andy Larson:** We'll even accept it might be a question ballot.

Yes.

All right. Okay.

**Lisa Caito:** All right. Okay. 51% said all of the above, and that is correct. So I think we're all on the right track. Contribution plan. all of the first two, we can maximize the hce. You can satisfy. A DP test and employer contributions are required. So good job everyone. And with that, we're gonna turn it to a case study.

Can you go to the next slide, please? And the next slide. So today we've covered, so now Kate Cat and I are gonna talk a little bit.

**Catherine Ellis:** Oh, go ahead Kat. No, you've got it. You've got this. Go ahead.

**Lisa Caito:** All right. Today Kat and I are gonna talk a little bit about a case study and a plan design, for one of her clients.

So I'm gonna let her lead it off, and then we're gonna talk a little bit about how we went through the process and what kind of solutions we came up.

**Catherine Ellis:** Yeah, that's a really good point. And this particular example is a fairly common goal for a lot of plan sponsors, but for this particular client, they were looking to find some ways to not only attract, but retain their top talent.

and in this case we were looking to explore some potential changes to the plan design provisions, for their plan. currently, just so you know, one of the first things, step one, if you will, whenever we have these conversations about the goals and needs of the plan and the business, is we wanna look at what the current plan design is telling us, right?

how it informs potential implications to this gold deed, et cetera. And for this particular plan, it was already set up, to allow for profit sharing contributions. in order to receive a profit share from the employer, though you had to work two years, to be eligible, but those contributions were 100% vested immediately.

And when we have these conversations with our clients, the first thing that we do after fully vetting out the needs and the goals is that we'll come back and we will connect with our retirement consulting team, Lisa's team, and we will have a conversation about, let's walk through the options that are available to us.

But before they start giving us those options, Lisa and her team support us and our clients in some kind of, some assessment and some testing, if you will, of what the plan is telling us to help inform those, recommendations. So Lisa, walk us through what that looks like from your guys' team in coordination with us.

**Lisa Caito:** Sure. Can you go to the next slide, please? So really what we're doing, I our number one. thing, and probably if you get nothing else out of all of this today, the first step is goals and objectives, right? what are the plan sponsor needs? What are the participant needs and how do we meet?

so we take all that information and then we take a step back and we look and we benchmark against our client's competitors. we can look at it from an industry perspective. We can look at it. If you give us the top four or five competitors, we can look at it from a, a. Smaller scope and really look at eligibility investing because again, Kat said in this particular situation it was, we were looking to attract and retain these.

So how, what are our competitors doing? are we meeting, what we need to do to get that top line? We're gonna benchmark it. We're also gonna provide consultation on changing eligibility service from two years to immediate. That's a big jump. And when we do not only look at eligibility investing, we're gonna look at, okay, that shrinking, that eligibility contribution period really means that you're going to get, you're gonna be giving match or employer profit sharing contributions earlier, right?

So that's gonna have an impact on the budget and looking at, is that something that can be sustained this year or is this something that we need to budget for future years? you also look at the current vesting schedule and if it's something that we're changing from a hundred percent immediate to something that's more restrictive, such as the five year graded, we're gonna look to see if that benefit needs to be protected, which in this case it does because those participants are a hundred percent vested.

And then any new hire hires on or after the change date of the vesting schedule be the new schedule would apply to them. when you think of it that way, what does that mean from a financial perspective, right? Because now everybody that's currently receiving their profit sharing contributions a hundred percent vested, right?

But we talked about the extra cost because you were going to shrink the eligibility conditions. You go to the next slide. One of the main things that we looked at in this case. not only was when can the profit sharing allocation be



changed, when the vesting can be changed, but we also look at what happens that we add a vesting schedule and now we have forfeitures.

people are terminating before they be, they become fully vested. So that obviously gives additional funds for a plan sponsor, whether they use that to pay plan expenses or they could use it to offset the future contributions that might, again, offset that earlier eligibility condition.

So what we did was we talked about all of those things and then we also confirmed that the profit allocation could be changed. So we looked at it and because the allocation conditions for this particular plan, stated that if a participant worked 500 hours in a plan year, then they were eligible for the profit sharing contribution in that plan year.

So in this case, the client came to us in July and most of the plan and was counting your plan and most of the plan participants had already worked over 500 hours. So they had accrued the right to the benefit in 2025. So we looked at it and we said, okay, you can't change it for 2025, but we can change it for the 2026 plan year, make that change on the first day of the plan year.

So we look at all of that. we, again, took a step back and said, okay, we can change it. 1126. What does that mean from an eligibility perspective? Who comes in immediately? What. What type of funding is gonna be needed for 2026? Again, what is the turnover rate, right? how do we estimate what those forfeitures are gonna be?

So we're gonna look at the turnover rate and try to do some, forecasting to see what those forfeitures might be to know, really if you decide to offset your profit sharing contributions, how much is gonna be needed in that process. So those are all things, That we did in this situation, when we looked at the plan design for this client.

Can you go to the next slide, please?

Again, I've talked a little bit about how we protected eligibility services come into play. I think here, we've talked about what we had done to the client. But when back to the client with this submission, what was their reaction?

**Catherine Ellis:** Yeah. ultimately, once we do the internal work on our end to background, benchmark, assess, evaluate, we put, to Lisa's point, we come together with our kind of recommendations.

Then we. Schedule our follow up. We did. we were able to follow up with our client, walk through the recommendations, the implications to their budgets, how to protect the benefits, and our recommendations for the best timing, if you will. On when to implement these changes. And ultimately we are in process now for effectively making some changes with this particular client.

they did decide to go ahead and amend their eligibility. So we are adjusting from the two years to the six months of service. To Lisa's point, we added the five year grade investing schedule. and there was probably, I would say particular attention given to, the forfeitures and how those forfeiture, dollars would be used ongoing.

just given the current litigation environment around, and of course the guidance from the IRS on how you use your forfeitures. and then last but not least, we made a change to the allocation method and all of these, between September 1st, 2025 and January one will be effectively completed.

So like a ladder effect to rolling out our recommendations. But it was certainly a teamed approach and certainly how all of our consultants work with our clients. We lean in and we engage with the necessary teams and groups when these types of situations come up. In this case, given that it was around plan design, we were able to leverage Lisa's teams effectively to create these recommendations and changes.

**Lisa Caito:** Thanks, KA. Yeah, so overall we came out with a good outcome for this particular client. So then we can go to the next slide. we can actually go at the following slide. So a little bit about plan amendment timing. I think we've all talked a lot today about when changes can be made, what type of changes can be, what needs to be thought through the process.

But the one thing I would remind everyone, a lot of times the plan amendment must be adopted by the last day of the plan year, which includes the effective date of the change. another restriction would be if you have a safe harbor plan. Some sa, some safe harbor amendments can only be done at the beginning of a plan year.

for example, a merger, if you have an acquisition merger of a two Safe Harbor plans or a plan into a safe harbor plan. It can only be added at the beginning of the year. other changes such as adding loans or hardship provisions, that would just require a 30 day, potentially a 30 year, 90 day miss. so there are a lot of things around the timing of amendments.

we are on September the 16th, so I guarantee you any type of changes that you're looking to consider making as of January one. We need to be able to get those changes to your record keepers or your document provider as soon as possible. those deadlines are gonna be for year end amendments are really coming up fast.

They're either gonna be the end of this month or very early in October, so make sure you check with your document provider to make sure what their specific deadline is so we don't miss the opportunity to change a provision that has to be done on one one.

And you can go to the next slide.

Again, we've highlighted a lot of things today, but really the highlights of what we wanted to talk about, and remember, a deal plan design helps you ensure you meet your sponsor's goals and objectives. We talked about plan design being di emphasized over the last 10 years by platform providers and TPAs.

I think we've given good examples of why that's happened and, sometimes why things need to come, go outside the box and how we deal with that. but again, I think overall understanding your sponsor's goals and objectives are essential to beginning an effective plan design in the process.

And again. We all, the goals typically are to attract, re retain and reward your participants in the best way and get them ready for retirement, successful financial future.

All right. Next slide is there, the disclosures and then we'll go ahead. I just wanna say thank you to Catherine and Andy for being with us today. This was a very good. discussion about plan design and how it's important. and we thank you all for taking the time out and listening today. our next quarterly webinar will be in November, and we're gonna be talking about the exciting life of retirement plan litigation.

So stay tuned and look forward to those invites. Thank you.

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