

EMPLOYER FAQ



1) What is a Pooled Employer Program (PEP)?

A pooled employer program (“PEP”) is a 401k program that serves many employer groups through a feature set that includes:

- Simple and easy onboarding
- Asset Security
- Time savings
- Pricing transparency
- Relief from fiduciary and administrative responsibility

Pooled Provider Programs (“PPP”) are governed by the United States Federal government through the Employee Retirement Income Security Act of 1974 (ERISA). These federal laws set minimum standards for most voluntarily established retirement plans in private industry to provide protection for participants.

2) What is the Mountain West 401k PEP?

Mountain West 401k is a Limited Liability Company domiciled in Pasco, Washington that offers a turnkey Pooled Employer Retirement Program that allows many employers to participate in and leverage the buying power of a collective group of employers.

Mountain West 401k operates in the employee benefits industry and is an alternative to advisor, online and PEO 401k solutions.

3) Who is the target customer for the Mountain West 401k PEP?

The Mountain West 401k PEP can serve any employer domiciled within the United States that has 2 or more employees.

The Mountain West PEP was designed to serve employers with 5 or more employees.

4) Why chose the Mountain West 401k PEP over a stand-alone 401k plan?

In a stand-alone plan, the employer is the fiduciary and is responsible for establishing and building a 401k plan, selecting vendors, determining investment policy, procuring bonds and insurance, monitoring investment performance, complying with laws and regulations, managing a 401k audit (if over 100 employees), and winding down the program (if applicable).

The PPP includes a plan fiduciary in its design which shifts duties and responsibilities away from employers and their designated administrators. We provide the employer with an employee benefits partner that is an experience operator. This allows employers to focus on what they are good at, growing and scaling their primary business.

5) Why chose the Mountain West 401k PEP over an advisor led 401k plan?

The primary reason that employers choose the Mountain West PEP over an advisor led plan is because they hold a “world view” that an experienced business operator is a better partner to help them deliver and administer a 401k program.

Unlike an advisor, whose skill set primarily lies in fund selection and management, the Mountain West 401k is led by experienced business executives that have many years of creating and managing employee benefit programs.

Other advantages of the Mountain West 401k program over advisor led programs are:

- It assumes many fiduciary responsibilities and tasks required of employers
- It leverages the collective purchasing power/assets of many employers
- Program set-up is very simple, fast and free
- We are not limited to working with certain investments or fund managers
- It is already built with best-in-class providers
- Pricing is transparent and flexible

6) What are the quarterly plan costs and who pays them?

The PPP bills employers quarterly. Plan costs can be paid the employer, participants, or both.

It is most common for employers to pay all or most of the cost when their plan is new or has low asset balances. Once assets exceed \$5m in a plan, fees are typically paid by the participants

The PPP uses a single pricing model that includes:

Base fee: \$1,250
Asset fee: .10% - 1.00%

For example, the total cost of ownership for a plan with \$1m in average assets would be \$2,500 per quarter ($\$5000 + \$1,000,000 * .50\% * (1/4)$).

7) Who serves as the PPP's advisor? Are they affiliated with a financial institution?

Sound Consulting Services ("SCS") Retirement is the PPP's 3-38 registered investment advisor ("RIA"). Rob Raphael from SCS is the person who selects, monitors and benchmarks fund performance and reports to the governance board who establishes the investment policy for the PEP.

SCS is an independent RIA that is not affiliated with a specific financial institution. We feel that an independent, non-bias firm with access to broad market alternatives optimizes results for the PEP and its participants.

8) What investments are available to PEP participants?

The PPP has a diverse menu of investment options that include target date funds, low-cost index funds, and mutual funds. For a complete list of fund options, please visit the PPP website or NWPS platform.

9) Who serves as the PPP's TPA and recordkeeper? What are their qualifications?

The PPP has contracted with Northwest Plan Services ("NWPS"), a Seattle based firm, to provide TPA and recordkeeper services. NWPS specializes in administering 401k programs that serve multiple employers and has operated in the Pacific Northwest region for over 50 years.

Raymond James, a large financial conglomerate, purchased NWPS in 2021 because of their expertise in the multiple employer plan administration space. NWPS continues to operate under its own brand and has retained 100% of its leadership team.

NWPS has a practice philosophy that places a high importance on responsive customer service. Employers and participants in the PPP enjoy dedicated account representatives who are easy to reach and respond quickly to inquiries.

10) What are my company's responsibilities?

While the PEP provides significant fiduciary and administrative relief, employers are still responsible for submitting employee contributions in a timely fashion and meeting Department of Labor (DOL) discrimination requirements.

Your company may also be selected for sample testing during the PPP's annual audit. If selected for sample testing, you would be required to provide payroll and other deliverables requested by the auditor.

11) What is considered timely remission of employee contributions?

The DOL does not want you holding employee money and defines timely contribution remission “as soon as reasonably possible”. We encourage you to process employee contributions in conjunction with payroll.

12) What happens if employers struggle with meeting their responsibilities?

The PPP will make every effort to help employers meet their responsibilities. The PPP, legally, can terminate employers from the program for failing to perform its duties as a participating employer.

Failure to perform your responsibilities may result in additional costs to you, such as interest, penalties and filing fees.

Should the need arise to terminate an employer’s plan, a termination fee of \$2,500 will be assessed to cover termination costs and other expenses that may be incurred by the PPP.

13) Who are the PPP’s service providers? Who do I contact if I want to learn more?

- **Program Manager:** Monroe Professional Services. (425) 890 -6175
- **TPA and Recordkeeper:** NWPS. (425) 890 -6175
- **3-38 Advisor:** SCS Retirement. (425) 454 – 4015

If you would like to get a quote or learn more about the plan, please reach out to Monroe Professional Services.

14) How does an employer join the PPP? How long does it take?

Monroe Professional Services, the PPP’s program manager, will guide you through the 401k decision making and onboarding process. These major steps include:

- 1) Plan design
- 2) Pricing analysis
- 3) Completing an application
- 4) Sending a sample payroll file and establishing a portal link
- 5) Signing ACH and other forms
- 6) Establishing EFT with the PEP’s asset custodian, Charles Schwab
- 7) Enrollment presentation

If you have an existing plan, we will review your current plan document, investments, and vendor contracts to ensure a smooth transition.

In our first meeting with you, we will design your plan and provide you with pricing. If you decide to join and do not currently offer a 401k plan, it will take between 30 – 60 days for your plan to get established and start receiving participant contributions.

For an existing plan, it will take between 60 – 90 days because there will be a “blackout” period when funds from your current plan get mapped to the PPP.

For existing plans, we will also review your current plan document, investments, and vendor contracts to ensure a smooth transition from your current recordkeeper.

15) Can we customize our plan design?

The short answer is yes.

The PPP has been structured to meet the broad needs of our participating employers. We utilize a base plan design with certain features that can't be altered to ensure a streamlined enrollment experience.

The PPP pairs this streamlined enrollment with flexibility to design a plan based on your business needs and goals. The PEP offers flexible design options including eligibility, participants loans, matching contributions, vesting, safe harbor, and auto-enrollment.

16) Is there information that can help me manage my employee base?

The PPP has a FAQ that addresses participant specific issues and questions. We encourage you to distribute this to employees. Please reach out to Monroe Professional Services for a copy of this document.

17) Does the PEP offer ongoing educational support? What does it cost?

We strongly believe that an effective 401k program needs to encourage and educate participants to save and invest.

The MountainWest401k PEP offers participant training and education at no additional cost.

We start with performing an employer and participant onboarding session when a new employer joins the program. We provide an overview of why folks should save for retirement and how to use the investment platform to select and change investments and deferral rates.

Participants have the ability, at any time, to access a library of education and training materials provided by NWPS.

Lastly, the PPP offers 4 quarterly virtual education sessions on “hot topics in 401k” that can be accessed by all active participants.

18) What is the difference between participant education and investment advice? Does the PPP offer investment advice? What does it cost?

Within the PPP construct, it is important to distinguish participant education from investment advice.

Participant education is about increasing participant knowledge and understanding around the value of saving and investing in a 401k. Participant education is rooted in financial theory and concepts and the education is delivered by an experienced CFO/financial professional.

Investment advice is about helping participants understand their financial goals, risk/return preferences, and selecting investments that align with these preferences.

The PPP is not a registered investment advisor and does not provide investment advice to plan participants in the PEP. However, the PPP has retained a registered investment advisor to select the investments PEP plan participants may choose from in directing their PEP account investments.

Participants may contact the advisor and receive a complimentary 1-hour advisory session. A participant is free to request additional investment advice with the PEP's advisor or any other advisor of their choosing. Arrangements for additional investment advice are between the participant and the advisor.

If the participant would like to further explore investment options or advice, that arrangement will be memorialized in a separate agreement between the participant and the advisor firm.

19) What are discrimination tests?

The IRS wants to ensure that companies who offer a 401(k) are treating their employees equitably. The IRS will apply one of three "discrimination" tests to determine whether benefits provided to higher paid employees are disproportionately more favorable than those provided to lesser paid employees. The three "discrimination" tests include:

- Average Deferral Percentage (ADP); and
- Actual Contribution Percentage (ACP); and
- Top Heavy test

20) How does the timeline work for ADP/ACP Discrimination tests? What happens if I fail?

In late January, our program administrator, NWPS, will collect information from the prior year from each participating employer. Assuming NWPS receives the information timely, they will determine by the third week of February if the employer passes or fails these tests.

Employers that fail the testing have two options: (1) make an additional contribution to non-highly compensated employees (QNEC); or (2) return excess contributions to highly compensated employees.

Employers can make a QNEC through the end of December 31st, but only have until March 15th to return excess contributions to highly paid employees. If the employer fails to meet these timelines, then they must file a Form 5330 and pay a filing fee and any penalties assessed.

21) How does the timeline work for Top Heavy Discrimination test? What happens if I fail?

In late January NWPS will collect information for the current year from each participating employer. Assuming they receive the information timely, they will determine if the employer is Top Heavy by Q2 of the current year. A plan is Top Heavy when, as of the last day of the year, total value of the plan accounts of key employees is more than 60% of the value of the plan assets.

Employers that fail the Top-Heavy test will be required to make a 3% contribution to the non-key employees by September 15th of the subsequent year. Failing to make this payment timely will result in fines, penalties and may result in termination from the program.