

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.

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 20 or more employees.

4) Why choose the Mountain West 401k PEP?

In a traditional retirement program structure, 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).

MW 401k PEP shifts duties and responsibilities away from employers and their designated administrators. This allows employers to focus on what they are good at, growing and scaling their primary business.

5) What is the cost of the program and who pays?

The PEP bills employers quarterly. Plan costs vary and can be paid by 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. The MW 401k pricing model involves a base fee and asset fee that will drop as assets increase in the program

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

6) Who serves as the PEP's 3-38? Are they affiliated with a financial institution?

DLK Investment Management ("DLK") Retirement is the PEP's 3-38 investment manager. DLK selects, monitors and benchmarks fund performance and reports to the PPP.

DLK is an independent Investment Manager 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.

7) Are RIA Services available? Can I use my RIA?

In addition to the 3-38 investment management services provided by DLK, MW 401k uses a network of Registered Investment Advisors (RIA's) to provide advisory and educational services to participants and employers.

If the employer wants these services, they will sign up for them in the onboarding phase, and these optional services will be priced into the program fee. MW 401k is open to using an RIA that is currently serving an employer; however, the RIA must go through our due diligence and vendor assessment process before being qualified to serve in our program.

8) What investments are available to participants?

We offer a diverse menu of investments that includes target date funds, low-cost index funds, and mutual funds. For a complete list of investment options, please contact MW representative via the website.

9) Who serves as the PEP's TPA and recordkeeper?

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, 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, meeting Department of Labor (DOL) discrimination requirements, and maintain plan compliance.

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 PEP 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 may be assessed to cover termination costs and other expenses that may be incurred by the PPP.

13) Who are PEP's service providers? How do I get a quote?

- **Asset Custodian:** Schwab
- **TPA and Recordkeeper:** NWPS. (888) 700-0808.
- **3-38 Advisor:** DLK (858) 433 – 3200

If you would like to get a quote or learn more about the plan, please complete a contact us form on the MW 401k website.

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

A MW 401k representative 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 PEP.

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.

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

The PEP 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 PEP has a FAQ that addresses participant specific issues and questions. We encourage you to distribute this to employees.

17) 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

18) What is the ADP/ACP Discrimination test and 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 Form 5330 and pay a filing fee and any penalties assessed.

19) What is the Top-Heavy Discrimination test and 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. The 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.