MassMutual | RMS EasyPlan

New Account Opening Procedure

Following is a series of 31 frequently asked questions or (FAQs) regarding the items contained in the “New Account Opening Procedure” forms. Additionally, a glossary of the various defined terms, which are capitalized, can be found on the page immediately following question 31, along with the corresponding number of the FAQ in which the term is defined or discussed.

Frequently Asked Questions

1. What is a "Startup Plan"?

A Startup Plan is a plan that is newly established or implemented for the first time for an employer's employees, as opposed to an Existing Plan, which is a plan that was previously established or adopted by an employer for its employees.

2. What is an "Existing Plan"?

An Existing Plan is a plan that was previously established or adopted by an employer for its employees, as opposed to a Startup Plan, which is a plan that is newly established for the first time for an employer's employees.

3. What is "Census Data," and why is this needed?

Census Data is information regarding a Participating Employer's workforce and includes information about each employee. This information is necessary to determine who is eligible to participate in the RMS EasyPlan, when each employee can enter the plan, and to ensure that contributions are allocated correctly and accurately.

4. Why is it important to obtain a copy of the "Current Plan Document" when an Existing Plan transfer is contemplated?

Obtaining the Current Plan Document is important for a number of reasons. First, many employers that have an existing plan choose to simply mirror their Current Plan Document's provisions when they adopt the RMS EasyPlan. Second, while it is generally permissible to make changes prospectively, it is impermissible to take away certain protected benefits or rights; so, it is important to understand the extent that such protected benefits or rights exist. Finally, it is important to identify any administrative shortcomings or failures that might exist to ensure that the plan has been operated correctly in the past.

5. What is an "Adoption Agreement," and why is it important to obtain a current copy when the transfer of an Existing Plan is contemplated?

Oftentimes, the specific and relevant governing provisions of an Existing Plan are detailed in not one document, but two. The first is a base document that governs the general provisions that apply to all employers that utilize the structure and the second is the Adoption Agreement. The Adoption Agreement typically reflects the specific features that an employer has elected and is necessary to ensure that all protected benefits or rights are retained. A copy of the Adoption Agreement also streamlines the adoption of the RMS EasyPlan by a Participating Employer that wishes to retain many, if not all, of the provisions in its Existing Plan.

6. Why is it important to obtain a copy of all "Plan Amendments" (if any) when an Existing Plan is transitioning to the RMS EasyPlan?

Few things remain constant over time. This is especially true when it comes to retirement plans. Not only are Plan Amendments necessary when the law changes, they are often necessary due to corporate mergers, acquisitions, dispositions, or simply evolutions in an employer's workforce. Ensuring that the current provisions are identified is necessary whenever an Existing Plan is transitioned.

7. What is a "Participating Employer"?

In the context of a Pooled Employer Plan (PEP), a Participating Employer is a business (and its affiliates) that elect to join or participate in the PEP. By analogy, a Participating Employer is akin to the plan sponsor of a single employer plan.

8. What is an "NAICS Code"?

The North American Industry Classification System (NAICS) is the standard used by businesses and governments to classify business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. Typically, an entity's NAICS Code can be determined by looking up the "Codes for Principal Business Activity and Principal Product or Service" reflected on the instructions to the applicable IRS tax filing form for the entity, or, if a copy of the entity's tax return is available, on the form itself. For example, if an entity is a partnership or a limited liability company that has elected to be taxed as a partnership and previously filed an IRS Form 1065, Item C, which can be found on the top left hand corner of page 1 of the Form 1065, will generally reflect the applicable NAICS Code. Additional information can be found at **www.NAICS.com**.

9. What is meant by "Entity Type," and why is this important when a Startup Plan is being established or an Existing Plan is being transferred?

The Entity Type refers to the legal structure of the business that intends to be a Participating Employer in the RMS EasyPlan. Knowing the Entity Type is important for tax purposes and also for identifying who is eligible to participate.

10. What is meant by "Ownership Information," and why is this important when a Startup Plan is being established or an Existing Plan is being transferred?

The Ownership Information relates to the person(s) or entity(ies) that own the business that intends to be a Participating Employer in the RMS EasyPlan. This information is necessary because the tax laws require affiliated entities to be considered when determining who is eligible to participate and other factors that impact the administration of a retirement plan. Some of these rules are not intuitive and may require separate entities that have unique tax numbers to be treated as a single group. For this reason, it is imperative that the ownership of the Participating Employer is well understood.

11. What is meant by an "In-House Payroll" department versus an "External Payroll Vendor," and why is this important?

While technology has blurred some of the lines between an In-House Payroll department versus an External Payroll Vendor, the distinction really lies with who, or what party, is responsible for calculating and disseminating payroll and payroll information to employees. Since it is necessary for communication to flow from any 401(k) plan to the party(ies) responsible for the administration of payroll for a business and vice versa, identifying the responsible party(ies) and entity(ies) not only streamlines the adoption of a Startup Plan or the transition of an Existing Plan, it also mitigates, if not eliminates, prospective administrative issues that can otherwise arise.

12. What is the "IRS Plan Number" for an Existing Plan, and why is this important?

Since a retirement plan is a separate legal entity from the business that sponsors it and the assets are held in a tax-exempt trust, each plan is required to have an identifying IRS Plan Number. Typically, for most Existing Plans, this will be a three-digit number beginning with a "0" (e.g., 001, 002, 003, etc.) and can be found on any Form 5500 filings that may have been filed previously. For example, the IRS Plan Number can be found on line 1b on page 1 of the 2022 Form 5500.

13. What is meant by the "Type of Plan" with respect to an Existing Plan, and why is this important?

Due to legal changes that have occurred over the years, retirement plans have come in many different forms — some of which are common and some of which are not. For legal reasons, certain benefits, rights, or features must be protected when an Existing Plan transfers to another arrangement. For this reason, it is important to know the Type of Plan that is transferring. Typically, most Existing Plans that transfer are 401(k) profit sharing plans.

14. What is a third-party administrator (TPA), and what does a "TPA" do?

In the context of a single employer plan, the formal Plan Administrator that is legally responsible for all activities is actually the business that sponsors the plan in almost all instances; however, it is common for businesses to engage a third party to assist with these functions. For this reason, when an Existing Plan is transferring to the RMS EasyPlan, it is helpful to know whether a TPA exists, and, if so, who the TPA is in order to streamline the transition.

15. What is meant by "Self-Administered" with respect to an Existing Plan that is transferring?

In the context of a single employer plan, the formal Plan Administrator that is legally responsible for all activities is actually the business that sponsors the plan in almost all instances; however, it is common for businesses to engage a third party to assist with these functions. If a third party (commonly referred to as a third-party administrator (TPA)) has not been engaged, the Existing Plan is Self-Administered. For this reason, when an Existing Plan is transferring to the RMS EasyPlan, it is helpful to know if the Existing Plan was Self-Administered or if a TPA was involved in order to streamline the transition.

16. What is a "Safe Harbor Plan"?

Retirement plans are generally required to pass "discrimination testing," which compares the amount of deferrals and/or contributions made by an employer to those employees who are deemed to be "highly compensated" relative to those employees who are deemed to be "non-highly compensated." Notwithstanding these testing requirements, if certain provisions, which are commonly referred to as "safe harbors," are implemented and followed, then the need to perform discrimination testing is generally unnecessary, as the testing is deemed to have been satisfied. While there are some nuances and variations, there are typically three categories of Safe Harbor Plan designs.

The first type of Safe Harbor Plan structure is a safe harbor matching design, which requires an employer to match at least one dollar for every dollar that an employee defers on the first three percent (3%) of the employee's compensation and fifty cents for every dollar that an employee defers on the next two percent (2%) of the employee's compensation. This design is commonly referred to as a basic safe harbor matching design, and in essence requires an employer to match up to 4% of an employee's compensation if the employee defers five percent (5%) or more of his/her compensation. Due to the somewhat confusing nature of the basic safe harbor matching design, many employers instead adopt an enhanced safe harbor matching contribution design, which provides for a matching contribution of one dollar for every dollar deferred up to four percent (4%) of an employee's compensation.

The second type of Safe Harbor Plan structure, unlike the matching contribution designs, simply requires an employer to contribute three percent (3%) or more of each employee's compensation in the form of a non-elective/profit sharing contribution, which means that the employer's contribution is not based or contingent upon an election of the employee to make deferrals. Instead, the employer must make a contribution to eligible employees equal to at least three percent (3%) of their respective compensation, regardless of whether they make deferrals or not.

The third and final type of Safe Harbor Plan structure is referred to as a qualified automatic enrollment arrangement (QACA), which requires a uniform, minimum default automatic contribution percentage starting at 3% of each employee's compensation, which gradually increases each year that an employee participates. Additionally, the Participating Employer must make a minimum of either:

- a dollar-for-dollar matching contribution up to the first one percent (1%) of each employee's compensation and fifty cents for every dollar deferred that is above one percent (1%) of each employee's compensation, up to six percent (6%) of each employee's compensation; or
- a non-elective/profit sharing contribution of three percent (3%) of each employee's compensation to all participants, regardless of whether the employees choose to make deferrals or not (i.e., including those eligible employees who choose not to contribute to the plan).

Unlike the other Safe Harbor Plan designs, which require the employer safe harbor contributions to be fully and immediately 100% vested, QACAs are permitted to require two years of service before the contributions are fully vested.

17. What is meant by "Vesting" or a "Vesting Schedule"?

The concept of Vesting refers to the amount or degree by which a participant's account is forfeitable or non-forfeitable. A Vesting Schedule reflects the amount of service or time that must accrue or pass before a participant's interest in his/her account balance is non-forfeitable. An employee's elective deferrals and any non-QACA safe harbor employer contributions are required to be 100% fully vested at the time of contribution. Additionally, notwithstanding any applicable Vesting requirements that may be reflected in a Vesting Schedule, depending upon the terms of the governing documents, a participant may also become fully vested in his/her account balance upon the occurrence of certain events (e.g., a participant's death or disability).

18. What is meant by a "Discretionary Employer Contribution"?

Unlike a safe harbor employer contribution, which is required to be made, a Discretionary Employer Contribution is, as the name suggests, an optional contribution that is within the discretion of the Participating Employer (i.e., the Participating Employer can choose whether or not to make a Discretionary Employer Contribution and, if elected, subject to certain limitations, how much and to whom the Discretionary Employer Contribution will be made).

19. What are "Eligibility Requirements"?

There are certain requirements that may be imposed before an employee is eligible to participate in any retirement plan. For instance, a Participating Employer is permitted to restrict eligibility to those employees who are over a certain age (not to exceed age 21), or those who have worked for the Participating Employer or one of the Participating Employer's affiliates for a period of time (typically no more than one year).

20. What is meant by an "Entry Date"?

Following an employee's satisfaction of the Eligibility Requirements, which may occur at any time during the year, in order to ease administrative burdens and recognizing that the satisfaction of the Eligibility Requirements may not correspond with a Participating Employer's payroll cycles, eligible employees may be required to wait a period of time before they are permitted to begin making deferrals. An Entry Date is the first date following an eligible employee's satisfaction of the Eligibility Requirements in which he/she can begin making deferrals.

21. What are "Allocation Conditions"?

Allocation Conditions are the requirements that must be satisfied in order for a participant to be entitled to receive a contribution by a Participating Employer.

22. What are "Compensation Exclusions"?

Compensation Exclusions are items or components of a participant's earnings that are not considered when determining his/her compensation for purposes of determining the participant's deferral percentage or the amount of any relevant matching or non-elective/profit sharing

contributions. While bonuses, as opposed to a participant's hourly wages or salary are generally self-explanatory, "fringe benefits" are oftentimes not as well understood. In general, the amount that a participant elects to defer (or that a Participating Employer elects to contribute, if any) are typically based upon a percentage of the participant's taxable compensation, as are various legal limitations. In addition to monetary compensation, the value of certain fringe benefits is also subject to taxation and may or may not be considered when determining a participant's compensation. Examples of fringe benefits include items such as the use of a car or educational assistance. While the value of these fringe benefits can increase the amount that a participant may be able to receive, as a practical matter, in rare instances the inclusion of fringe benefits may create problems. For instance, if a participant has elected to defer a very high percentage of his/her compensation and a significant portion of that compensation is attributable to the value associated with the use of a car, the participant may not earn enough in wages or salary to satisfy the percentage of compensation that he/she has elected to defer.

23. What is meant by "Automatic Enrollment"?

Historically, in order for an eligible employee to participate in a 401(k) plan, the employee had to make an affirmative election to defer a portion of his/her compensation. Due to changes in the law a number of years ago, it is now permissible to automatically enroll eligible employees into a 401(k) plan by default as long as they are notified and permitted an opportunity to opt out or change the default deferral election percentage.

24. What is the difference between an "EACA" and a "QACA"?

An Eligible Automatic Contribution Arrangement or (EACA) is a type of automatic contribution arrangement that must uniformly apply the plan's default automatic contribution percentage to all employees after giving them a required notice. In contrast, a Qualified Automatic Contribution Arrangement or (QACA) is an automatic contribution arrangement with special safe harbor provisions that exempts 401(k) plans from annual nondiscrimination tests.

25. What is meant by "Automatic Escalation"?

Automatic Escalation is a 401(k) feature that automatically increases a participant's rate of deferral contributions at regular intervals by a specified amount until a preset maximum deferral amount is reached.

26. What is meant by "Hardship Distribution"?

The federal income tax laws place restrictions on when a participant is permitted to receive distributions of 401(k) deferrals from a retirement plan. One of the enumerated events that permits a distribution prior to an employee's termination of service is the occurrence of a "hardship event," which requires that an immediate and heavy financial need exist, and that the amount of the distribution be limited to the amount necessary to satisfy that financial need.

Common examples of hardships that allow a participant to receive a Hardship Distribution include, but are not limited to:

- Medical care expenses
- Tuition and related educational fees or expenses
- Payments necessary to prevent eviction or foreclosure
- Funeral expenses
- Certain expenses to repair damage to an employee's principal residence

27. What is meant by an "In-Service Distribution"?

The federal income tax laws place restrictions on when a participant is permitted to receive distributions of 401(k) deferrals from a retirement plan and most are connected with an individual's employment status. Examples of these events are death, disability, or termination of employment. In contrast, it is also permissible to allow a participant who remains employed by a Participating Employer or an affiliate to receive a distribution upon the occurrence of a hardship event or the attainment of 59½ years of age. An In-Service Distribution is a distribution from a retirement plan that is permitted even though the participant remains employed by the Participating Employer or an affiliate.

28. What is a "Plan Loan," and how is this different from a Hardship Distribution?

A Plan Loan is technically not a distribution, but rather a loan that is taken out by a participant from a retirement plan that is funded by the participant's account balance. Typically, a Plan Loan, if permitted, can be taken out for any reason. Repayment of the Plan Loan is generally made through payroll deductions and must comply with various legal requirements. Provided that the Plan Loan is repaid on a timely basis, receipt of the Plan Loan will be a non-taxable event. In contrast, a Hardship Distribution is, in fact, a distribution from a retirement plan and does have tax implications.

29. What are "Billing Elections"?

In order for a retirement plan to operate efficiently and effectively, various functions must be satisfied and there are necessarily costs associated with the satisfaction of these functions. Some of the associated costs charged by the service providers that perform these various functions can be charged either to (i) the Participating Employer and paid from the assets of the business or (ii) the participants themselves and paid from their respective account balances. The choices between billing a given expense to the Participating Employer versus the participants themselves are referred to as Billing Elections. Please note, in some instances, there are federal tax credits that are available if a Participating Employer pays for all or a portion of the expenses attributable to its election to participate, or continue participating, in the RMS EasyPlan.

30. What is the "Access Annual Subscription Fee"?

Access Plans LLC (AP) is the sponsor of the RMS EasyPlan, and its affiliate, Access Fiduciary Services LLC (AFS) is a "named fiduciary" of the RMS EasyPlan (together AP and AFS are referred to as the "Access Group"). The Access Annual Subscription Fee is the fee charged by the Access Group to the Participating Employers that choose to adopt the RMS EasyPlan.

31. What is the "3(38) Fee"?

Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended (ERISA) defines the term "investment manager," which, in general, is a fiduciary with the power to manage, acquire, or dispose of any asset of a retirement plan like the RMS EasyPlan. The 3(38) Fee is the fee charged for the selection and monitoring of the various investment offerings that are made available to participants and beneficiaries in the RMS EasyPlan.

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For additional information on RMS EasyPlan, please contact your financial advisor.

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