



A 401(k) Safe Harbor Plan

Why implement a safe harbor plan provision?

- Elimination of the Actual Deferral Percentage (ADP) test so this type of refund to your highly compensated employees is no longer required.
- Top-heavy testing and the top-heavy minimum contribution requirements may be avoided.
- Employer contributions are generally tax deductible.
- Positions you to gain an edge over your competition by offering better benefits.
- Shows your employees their financial goals and retirement security are important to you.



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The safe harbor plan provision requires an employer to make minimum contributions to employees' accounts that are immediately vested. Plan sponsors are required to provide employees a notice each year that explains the provision. As a result, the plan automatically satisfies certain nondiscrimination requirements.

In the ADP TotalSource® Retirement Savings (the "Plan"), an Adopting Employer can choose from the following safe harbor plan provisions.

- **3% non-elective contribution** for all eligible participants or with an HCE exclusion* (regardless of whether they contribute); made per pay period or year end.
- **An employer matching contribution of 100%** of the employee's deferral up to 4%, 5%, or 6% of eligible compensation; made each pay period.
- **An employer matching contribution of 100%** of the employee's deferral on the first 3% of eligible compensation, plus 50% of the employee's deferrals that exceed 3% but do not exceed 5% of eligible compensation; made each pay period.

If chosen, the employer **must** make contributions to employees' accounts using the above methods.

You may also want to consider a Qualified Automatic Contribution Arrangement (QACA). This is an automatic contribution arrangement with special "safe harbor" provisions. Click [here](#) to learn more about the QACA feature.

45.0%
of active Adopting
Employers of the
ADP TotalSource
Retirement Savings
Plan offer a safe
harbor plan design.
As of December 31, 2023

* With this option, contributions can only be made at the end of the plan year.

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Safe harbor contributions must be made for the entire year. Employers seeking to convert their current non-safe harbor plan can only add the safe harbor plan provision effective January 1st of every year. Employers seeking to establish a qualified plan for the first time may adopt the safe harbor plan provision at any time. In both cases, the plan documentation must be received 45 days in advance of the effective date to ensure proper notification to employees.

Notice of a plan's safe harbor provision must be provided to plan participants at least 30 days but no more than 90 days prior to the start of each plan year. ADP TotalSource, in conjunction with Voya Financial®, the recordkeeper for the Plan, will provide copies of the required notices to employees following acceptance of the safe harbor plan provision and annually as required.

According to PLANSPONSOR 2020 DC Survey, nearly 72% of plans that have between \$1 and \$5 million in plan assets are operating as safe harbor plans.**

If you're interested in adding this feature to your Plan, please contact your 401(k) Specialist.

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