

If your plan contains Safe Harbor 401(k) provisions, then these provisions allow you to elect, year-by-year, to make a special, 100% vested contribution to the plan and in return, avoid ADP and/or ACP testing for that year.

For each year that you elect to “activate” the safe harbor provisions and avoid ADP/ACP testing, you must do the following 30 to 90 days before the beginning of that plan year:

1. Adopt a Safe Harbor Amendment, effective for just one year, authorizing the contribution.
2. Distribute a Safe Harbor Notice to participants. You have several options with respect to the Safe Harbor Contribution. The Notice must accurately describe the actual contribution that will be made.

Safe Harbor Contribution Options

1. 3% Safe Harbor.
 - a. A 3% of compensation, 100% vested contribution for each eligible participant.
 - b. Compensation for this purpose may be limited to compensation received after the participant’s date of entry into the plan.
 - c. This contribution may be used to meet top-heavy contribution requirements and other nondiscrimination tests.
 - d. All eligible participants will get the contribution.
 - i. No minimum number of hours or employment on the last day of the plan can be required.
 - ii. If the plan permits early entry (entry before attainment of age 21 and completion of one year of service), those participants who have not met the “21 and 1” requirement may be excluded if other conditions are met.
 - e. The plan sponsor may issue a “maybe” notice 30 to 90 days before the beginning of the plan year to preserve its right to use the safe harbor provision, without obligating itself to do so.
 - i. A supplemental notice must be issued at least 30 days before the end of the plan year if the sponsor decides to go ahead with the safe harbor contribution for that year.
 - ii. This option is not available for the Safe Harbor Match.
2. Safe Harbor Match
 - a. A 100% vested matching contribution for each (eligible) participant who elects to defer compensation during the plan year.
 - i. Basic Matching Contribution – 100% of the first 3% of compensation deferred, plus 50% of the next 2% of compensation deferred.
 1. This matching contribution will allow an automatic pass of both the ADP and ACP test.
 - ii. Enhanced Matching Contribution – Any match that exceeds at every level of deferral the amount of the Basic Matching Contribution.
 1. The total Enhanced Matching Contribution may not exceed 6% of compensation.
 2. This matching contribution will allow an automatic pass of only the ACP test.
 - b. The Safe Harbor Match contribution may be used to meet top-heavy contribution requirements, but may **not** be used to meet other nondiscrimination testing for the plan.
 - c. All eligible participants who defer compensation will get the matching contribution.
 - i. No minimum number of hours or employment on the last day of the plan can be required.
 - ii. If the plan permits early entry (entry before attainment of age 21 and completion of one year of service), those participants who have not met the “21 and 1” requirement may be excluded if other conditions are met.