401(a) PLAN

A 401(a) defined contribution plan is a retirement savings plan that allows dollars to accumulate on a tax-advantaged basis for retirement. Contributions may be made by the employer, the participant, or both.

CONTRIBUTIONS

Contributions to a 401(a) plan may be made under one of the following sources:

1. Employer contributions – An employer may contribute a fixed dollar or percentage amount.
2. Mandatory employee contributions – A plan may require an employee contribution as described above for all eligible plan participants. Mandatory employee contributions are treated on a pre-tax basis.
3. Employer matching contributions – The employer may match a fixed percentage of employee contributions.
4. Voluntary employee elective contributions – A plan may allow participants to make voluntary contributions on an after-tax basis, limited to 25% of their compensation. Voluntary employee elective contributions are always on an after-tax basis. Employees may benefit from utilizing a 457(b) in lieu of an after-tax 401(a) contribution.

The maximum amount that may be contributed each year to a 401(a) plan account is 100% of the participant's gross income after subtracting any Section 414(h) pick-up contributions (mandatory employee contributions made with pre-tax dollars), not to exceed an annual dollar limit in place for the year ($66,000 in 2023). This maximum includes both the employer's contributions and the participant's voluntary contributions to the account.

Participants may contribute to a 457(b) plan as well as to a 401(a) plan. 457(b) and 401(a) plan contribution limits are separate, and dollars contributed to one plan do not reduce the amounts that can be contributed to the other plan.

VESTING

Participants are always fully vested in their own employee contributions. The employer may establish a vesting schedule which determines when the participant acquires "ownership" of the employer contributions (and associated earnings) in the plan. When a participant separates from service, the vesting schedule will determine how much of the account is "owned" by the participant and may be paid to them.

All investment earnings in a 401(a) account accrue on a tax-deferred basis; participants will not pay income tax on pre-tax contributions or earnings until a distribution is taken from the account.

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ACCOUNT ACCESS

Participants are eligible to withdraw funds from their 401(a) account at retirement, when separating from service, or—plan permitting—as a loan. Assets in the plan are held for the exclusive benefit of participants and their beneficiaries, and vested amounts can never be forfeited.

Participants are eligible to begin receiving payments from their 401(a) account at retirement or when they leave employment with their current employer. Participants should review several considerations before making a decision about distribution, including:

- Taxes are paid only on withdrawn amounts. Funds that remain in the account, and any future investment earnings, continue to accumulate tax-deferred until they are withdrawn.
- The participant may continue to direct the investment of the assets that remain in the account as allowed by the employer's plan.
- In the event of the participant's death, any remaining account balance will be available for distribution to designated beneficiaries.
- Withdrawals prior to age 59½ or the plan's normal retirement age, whichever is less, may be subject to a 10% early withdrawal penalty from the IRS.
- Withdrawals are subject to a 20% mandatory federal tax withholding if the participant elects to directly receive funds eligible for rollover to another employer plan or an IRA.
- Distribution of assets must begin no later than April 1st of the year following the year the participant reaches age 72.

The benefits of participation include:

- Reducing current income taxes while investing for retirement.
- Flexibility to consolidate savings in another qualified retirement plan or a Traditional IRA if the participant changes employers. Earnings accumulate tax-deferred.
- Distributions may be exempt from state income tax (varies by state).
- Unlike a 457 Plan, 401(a) plan contributions are not subject to FICA taxes.
- Participants may also participate in a 457(b) deferred compensation plan, if available, with no reduction in contribution limits.
- Flexible payment options are available; the participant determines the payment schedule and maintains control of their account even after taking distributions.
- In the event of the participant's death, their designated beneficiaries are entitled to receive all remaining vested assets.
- **Access to Managed Account Services** – RPAs' Portfolio*Plus* program is an optional managed account service specifically designed for employer-sponsored defined contribution plans. With Portfolio*Plus*, participants can have increased confidence knowing that they have delegated the fund manager selection and ongoing monitoring of their account to the investment professionals at RPA.

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