



SAFE HARBOR 401(K) PLANS UNIFI Retirement Advantage SeriesSM

If you are an employer who would like to offer a salary deferral retirement program with flexibility and the ability to enhance contributions and want to automatically meet Internal Revenue Code nondiscrimination requirements, you might want to consider a Safe Harbor 401(k) Plan.

Are you looking for a salary deferral retirement program that:

- Maximizes the deferral ability of highly compensated employees?
- Satisfies nondiscrimination testing requirements?
- Automatically meets top-heavy testing requirements?

If so, then a safe harbor 401(k) plan might be right for you. However, for a 401(k) plan to be considered a safe harbor plan, the employer must meet certain requirements.

General Requirements

The rate of matching contributions for any highly compensated employees cannot be greater than the rate of matching contributions for non-highly compensated employees. In no event may deferrals in excess of 6% of compensation be matched, if the safe harbor requirements are to be met.

Withdrawals of safe harbor contributions are limited to death, disability, separation of service, or attainment of age 59½, if permitted in the plan document, similar to the distribution events for elective deferrals.

Employer Contributions

Employers can choose between two contribution strategies that meet the safe harbor requirements.

- **Non-Elective Contributions.** The employer can make a non-elective (profit sharing), pro-rata contribution of at least 3% of each eligible participants' annual compensation. This contribution may be made pursuant to a definitive or a contingent notice. For the contingent notice, as long as appropriate notices are given to employees, the employer has 30 days before the end of the plan year to decide to make this contribution. If the employer chooses not to make the contribution, non-discrimination testing will apply.
- **Matching Contribution.** There are two matching contribution formulas that satisfy safe harbor requirements. With the basic match formula the employer matches 100% of the first 3% of compensation deferred, plus a 50% match of the next 2% of compensation deferred. With the enhanced match formula the employer chooses to match at any rate that at least equals the basic match formula (e.g. 100% match of the first 4% of compensation deferred).



With proper notice the employer can discontinue either basic or alternative matching contributions, although the contributions must be funded in accordance with the notice provided, and non-discrimination testing will apply.

In addition, whatever contribution strategy an employer chooses, all employer contributions must be fully vested and must not be dependent on an allocation condition (e.g., 1,000 hours of service or employment status on the last day of the plan year).

Finally, additional matching contributions may be made, within certain parameters, and the safe harbor will be satisfied.

Implementing a Safe Harbor 401(k)

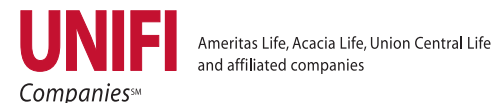
An employer with an existing 401(k) plan must implement a safe harbor 401(k) plan at the beginning of the plan year; however, employers with new 401(k) or existing profit-sharing-only plans may implement a safe harbor plan during the plan year as long as they meet certain requirements (generally, three months of deferrals are required).

Notification Requirements

- The plan must provide written notice to employees. The notice must describe the safe harbor contributions as well as information regarding employee deferrals, employer contributions, withdrawals and vesting.
- An annual safe harbor notice must be distributed to employees at least 30 days (but no more than 90 days) prior to the first day of each plan year.
- Any employee who will become eligible for the plan after distribution of the annual safe harbor notice must receive the notice prior to his or her eligibility date.

More Information

A safe harbor 401(k) plan may be the answer to your retirement plan needs. Contact your UNIFI representative for more information on safe harbor 401(k) plans and other retirement plan solutions.



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