

Tiered DB(k)

The Tiered DB(k) plan from PenSys pairs a Tiered Defined Benefit Plan with an add-on Safe Harbor 401(k) Plan. This plan combination is designed to greatly maximize the contributions made on behalf of business owners (far exceeding the \$49,000 Defined Contribution Limit), and certain targeted groups, while minimizing overall benefit costs. The Tiered Defined Benefit Plan allows the employer to separate employees into different groups (or tiers). Each tier may have a different benefit formula subject to non-discrimination testing requirements. This type of plan allows the owner to specifically tailor the plan to the goals of the business and reward certain employees at higher levels than others.

An add-on Safe Harbor 401(k) Plan allows business owners and other highly compensated employees the ability to maximize their 401(k) salary deferrals (\$16,500 for 2011 plus a \$5,500 catch-up for those ages 50 or older) regardless of what the employees defer, plus receive an additional 6% employer contribution.

The adoption of a Tiered DB(k) can have tremendous advantages for the small business owner who wants to greatly accelerate retirement accumulations. However, employers should understand that the Defined Benefit Plan contributions are actuarially determined each year and are not at the discretion of the employer. It is important the employer carefully study the choice to implement a Tiered Defined Benefit Plan as well as its design.

Owner Advantages

- Larger contributions. Tiered Defined Benefit Plans allow employers to fund much larger contributions than profit sharing or 401(k) plans. Employers can currently contribute to provide a maximum annual benefit of up to \$195,000, per participant.
- Tremendous tax savings. Because defined benefit plans allow for larger employer contributions, employers receive larger tax deductions.
- Flexibility with an add-on 401(k) plan. An add-on Safe Harbor 401(k) Profit Sharing Plan can allow even greater contributions and funding flexibility.

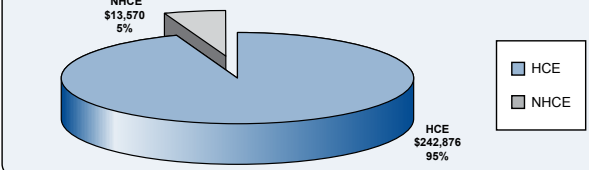
Employer Candidate

- Business owner that is at least age 50, and preferably 10 years older than most employees.
- Business with stable cash flow to meet annual funding obligations.

Tiered DB(k) Summary Illustration														
Class	Name	AA	RA	COMP	Defined Benefit		SAFE HARBOR 401(K) PROFIT SHARING				TOTAL Contribution		TOTAL Percentage	
					\$	%	DEFERRAL	SAFE HARBOR	PROFIT SHARING	PROFIT SHARING	\$	% of Comp		
A	Owner	52	62	\$ 245,000	\$ 195,008	79.6%	\$ 22,000	\$ 7,350	3.00%	\$ 7,350	3.00%	\$ 231,708	94.57%	90.35%
A	Spouse	45	62	\$ 31,300	\$ 9,290	29.7%	0	\$ 939	3.00%	\$ 939	3.00%	\$ 11,168	35.68%	4.35%
HCE TOTAL				\$ 276,300	\$ 204,298		\$ 22,000	\$ 8,289		\$ 8,289		\$ 242,876		94.70%
B	Employee 1	28	62	\$ 68,000	\$ 837	1.2%	0	\$ 2,040	3.00%	\$ 2,040	3.00%	\$ 4,917	7.23%	1.92%
B	Employee 2	27	62	\$ 36,000	\$ 411	1.1%	0	\$ 1,080	3.00%	\$ 1,080	3.00%	\$ 2,571	7.14%	1.01%
B	Employee 3	55	62	\$ 33,800	\$ 4,054	12.0%	0	\$ 1,014	3.00%	\$ 1,014	3.00%	\$ 6,082	17.99%	2.37%
NHCE TOTAL				\$ 137,800	\$ 5,302		0	\$ 4,134		\$ 4,134		\$ 13,570		5.30%
TOTALS				\$ 414,100	\$ 209,600		\$ 22,000	\$ 12,423		\$ 12,423		\$ 256,446		100.00%

HCE Salary Deferrals:	\$ 22,000	Estimated Personal Tax Savings for HCE's (Tax Rate of 38%)	\$ 8,360
DC Employer Contribution as % of Considered Earnings:	6.00%	Estimated Employer Tax Savings for DC (Tax Rate of 35%)	\$ 8,696
DB Employer Contribution as % of Considered Earnings:	50.62%	Estimated Employer Tax Savings for DB (Tax Rate of 35%)	\$ 73,360
Total Employer Contribution as % of Considered Earnings:	61.93%	Total Estimated Tax Savings for HCE's	\$ 90,416

Highly compensated employees (HCE) vs Non-highly compensated employees (NHCE)



NHCE	\$13,570	5%
HCE	\$242,876	95%



PenSys is a nationally recognized Third Party Administration and Recordkeeping firm specializing in the design, implementation, administration, and recordkeeping of all types of qualified retirement plans. PenSys has a team of experienced professionals working cohesively to deliver the highest quality services at competitive fees. More than 1,800 clients nationwide rely on PenSys for accuracy, timeliness, reliability, and stability. Our clients benefit from the ongoing support of a team of professionals consisting of:

- **Experienced Plan Design Consultants**
- **Dedicated Administrative Consultants**
- **Technical Support Team**
- **Daily Valuation Specialists**
- **In-house Actuary**
- **Software Design Specialists**

PenSys' flexible and innovative solutions ease the burden of sponsoring a qualified retirement plan for employers and their employees. Our retirement plan specialists possess the knowledge to address every plan's changing needs. We make sure your plan is implemented smoothly and that our staff is always available to provide support for the life of the plan.

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