

Frequently Asked Questions Regarding the CHPW True-Up Matching Contribution

The CHPW 401(k) Plan provides for a 100% Matching Contribution on the first 6% of your salary deferrals. That means that when you put in 6% of your salary, CHPW puts in an additional 6% Matching Contribution. Most 401(k) plans provide for matching contributions to be made on a payroll by payroll basis. Although not required by law, CHPW opted to add a True-Up Matching Contribution to make sure that all employees received their entire match for the year. Without a True-Up Matching Contribution, some employees who make uneven payroll deferrals might miss out on a full Matching benefit.

Q: What do you mean by “True-Up Matching Contribution?”

A: The True-Up feature is calculated after the year end and considers the previous full year of income, deferrals, and matching formula to determine if you are owed an additional employer contribution after the end of the year.

Q: How does CHPW put the Matching Contributions into my account?

A: The Plan provides for two ways to get the full Matching contribution:

1. The standard Matching contribution is made throughout the year when you contribute your salary reduction, or
2. If you “front load” your contributions (i.e. put in 12% for 6 months instead of 6% for 12 months), the Plan provides for a True-Up Matching contribution after the end of the year to make sure that you receive the total Matching contribution.

Q: How can I benefit from a True-Up Matching Contribution?

A: Anyone who makes uneven contributions to the Plan will benefit from the True-Up Matching Contribution. For example: If you have contributed an equal amount every month, a True-Up Matching Calculation would be helpful if you receive a bonus mid-year and thus reach your IRS limit early in the year. In addition, employees who join CHPW mid-year can make a full years' contribution, and have their full Matching contribution determined after the year end with a True-Up Matching Contribution.

Q: When does CHPW put the True-Up Matching Contribution into the Plan?

A: In order to determine an employee's total annual salary CHPW must wait until after the end of the year (December 31) to do the calculations. Before that date, the Plan document requires that the Matching Contributions are made payroll by payroll based on your compensation for that payroll. After the end of the year, your total compensation will be used to calculate any Matching Contributions that should be added to your account. True-Up Matching Contributions are usually contributed to your account by the Second Quarter of the year following the year of contributions.

Q: Do I have to be actively employed the whole year or when the true-up is funded in order to receive it?

A: All employees who make contributions during the plan year are run through the true-up calculations. Active and inactive employees who are due a true-up will receive the funds regardless of employment status.

Q: Can you show me an example of how True-Up Matching Contributions work?

A: Below are 3 scenarios that we hope will help you see when the True-Up Matching Contribution can benefit you. The first scenario is an example of what happens if there is no True-Up. The second scenario shows the same example but with the True-Up. The third scenario shows even contributions made throughout the year. You'll see that with the exception of Scenario 1, the employee receives exactly the same Matching contribution for the year.

Scenario 1: Full deferrals in fewer than 12 months without True-Up

Chris earns \$100,000 per year and defers 6% of their salary. The total contribution for the year will be \$6,000. CHPW makes a 100% safe harbor Matching contribution up to 6% of his gross salary and does not have the True-Up feature. The match for the full year could potentially be \$6,000 (\$100,000 x 6%), but the employer matches only during pay periods when Chris defers. If Chris were to maximize his contribution of \$6,000 in the first 6 months of the year, he would miss out on matching contributions during the last half of the year. Here is the math:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Gross Salary	\$8,333	\$8,334	\$8,333	\$8,333	\$8,333	\$8,334	\$8,333	\$8,334	\$8,333	\$8,333	\$8,334	\$8,333	\$100,000
Scenario 1													
401(k) Deferral	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$6,000
CHPW Matching (6% of Gross Salary)	\$500	\$500	\$500	\$500	\$500	\$500	\$0	\$0	\$0	\$0	\$0	\$0	\$3,000

Scenario 2: Full deferrals in fewer than 12 months with True-Up

Same facts as above. The match for the full year could potentially be \$6,000 (\$100,000 x 6%), but the employer matches only during pay periods when John defers. If John were to maximize his contribution of \$6,000 in the first 6 months of the year, he would miss out on Matching contributions during the last half of the year. Here is the math:

Scenario 2	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year End True-Up	TOTAL
Gross Salary	\$8,333	\$8,334	\$8,333	\$8,333	\$8,333	\$8,334	\$8,333	\$8,334	\$8,333	\$8,333	\$8,334	\$8,333		\$100,000

401(k) Deferral	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,000
CHPW Matching (6% of Gross Salary)	\$500	\$500	\$500	\$500	\$500	\$500	\$0	\$0	\$0	\$0	\$0	\$0	\$3,000	\$6,000

Scenario 3: Full deferrals spread out for 12 months:

Same facts as above except John spreads out his \$6,000 contribution across 12 months. Here is the math:

Scenario 3	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Gross Salary	\$8,333	\$8,334	\$8,333	\$8,333	\$8,333	\$8,334	\$8,333	\$8,334	\$8,333	\$8,333	\$8,334	\$8,333	\$100,000
401(k) Deferral	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,000
CHPW Matching (6% of Gross Salary)	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$6,000

Summary:

If you have any questions at all about True-Up Matching Contributions, please contact our Advisor at Gallagher at: Bellevue.GBS.Coaching@ajg.com or leave a message at: (206) 905-8150.