Contribution Processing

OVERVIEW

Empower provides the following tools on the Plan Service Center (PSC) to assist Plan Administrators with submitting and processing Plan contributions:

- Providing a secure method for Plan Administrators or their designated payroll provider to transmit payroll files to Empower.
- Presenting and reporting various types of warnings, errors, and reject messages that need to be addressed before contributions or other participant account updates can be processed.
- Accepting Plan Administrator direction needed to process contributions and/or other participant account updates.
- Authorizing Empower to debit total contribution dollars from the Plan's designated bank account(s) and/or from the Plan's forfeiture account if applicable.

NOTE: The Plan Administrator or designated payroll contact must have appropriate access to the Plan Service Center (PSC) in order to submit and process contributions. It is recommended that more one person be at the Plan be granted the appropriate payroll access in case the primary contact is unavailable to process contributions for a period of time.

Once the Plan Administrator submits contribution instructions and associated funding, contributions are generally deposited/posted to participant accounts as follows:

- If contribution instructions and funding is submitted prior to market close, contributions and loan payments are posted that day, and investments are purchased at that day's closing prices.
- If contribution instructions and funding is submitted after market close, contributions and loan payments are posted the following business day, and investments are purchased at the following business day's closing prices.

NOTE: Plan Administrator bank accounts are generally debited the business day following the scheduled effective date, which is also typically the trade settlement date.

Payroll Files

Payroll File Specifications

Payroll files are used as a vehicle for Plan Administrators to transmit the following type of information needed to administer and record keep participants' retirement accounts:

- Contribution amounts by contribution type
- Loan payments
- Compensation or salary amount
- Individual demographic data

NOTE: Additional data requirements vary based on recordkeeping services provided for the Plan.

Empower works with the Plan Administrator or their payroll provider to set up payroll files to include the appropriate data in the appropriate format.

While it is considered a *best practice* for Plans to submit individual demographic and contribution data for all Plan populations and payroll frequencies in a single file, Empower may accommodate receiving separate files based on the needs or limitations of the Plan.

Plan Administrators who are unable to produce a payroll file may submit employee and contribution information through the Guided Payroll feature available on the Plan Service Center (PSC).

Files are submitted on a frequency typically coinciding with the Plan's payroll or contribution remittance cycle.

Payroll File Changes

Once a file layout has been established, any changes to the file must be coordinated between Empower, the Plan Administrator, and the Plan's payroll provider as applicable.

Plan document amendments, Plan design changes, and/or Plan service/feature updates may require payroll file changes. When such changes are necessary, Empower works with the Plan Administrator or their payroll provider to communicate and coordinate applicable updates.

NOTE: Timing necessary to coordinate payroll file changes varies based on Plan design and complexity of changes required.

Payroll Provider Changes

If the Plan Administrator uses a payroll provider, Empower must be notified if the provider is changing. Empower works with the Plan Administrator and new payroll provider to:

- Establish the payroll provider within Empower's recordkeeping system.
- Create, test, and map payroll file(s) for the Plan.
- Establish file transmission connections, processes, and procedures.
- Provision necessary Plan Administrator or payroll provider access to the Plan Service Center (PSC), reporting, etc.

NOTE: Payroll provider changes can take an extended period of time to complete depending on the Plan's selected payroll vendor.

Divisions, Locations, Pay Centers, or Other Subsets

A payroll file layout may include a column for the Plan to identify each individual by location, division/department, pay center, or similar category. These categories are often referred to as *subsets*.

Common uses of subsets include but is not limited to:

- Associating individuals with different payroll frequencies. For example, Payroll Center 1 is paid weekly, Payroll Center 2 is paid bi-weekly.
- Distinguishing individuals who are subject to certain Plan provisions when such provisions vary across the Plan. For example, Division 1 is full time employees who are eligible for automatic enrollment, Division 2 is temporary employees who are not eligible for automatic enrollment.

When such subsets are established for a Plan, Empower also establishes a default division, payroll center, or other subset identifier which is assigned to a 9999 value for "everyone else". Any individual reported on a payroll file that is missing their assigned subset identifier is added to the default subset population (e.g. P9999) and associated to the "everyone else" or default population.

If the Plan has a need to establish a new subset population for any reason, the Plan Administrator retains responsibility for coordinating the setup of the new subset population with the Service Team prior to submitting any new subset values on the Plan's payroll file. Failure to establish subset parameters in the recordkeeping system prior to reporting such values on the payroll file will result in individuals being assigned to the default population, which could result in errors.

In addition, if the Plan submits individual demographic data on a separate file than contribution data, then any subset assignments or changes must be reported on the demographic data file prior to submitting such subset assignments on the separate contribution file, even if the subset identifier has already been established in the recordkeeping system.

Failure to report subset assignments on the demographic data file prior to reporting on the contribution file could result in errors.

Control Totals

The Plan Administrator must calculate the following values and include with each payroll file submission, commonly referred to as *Control Totals*:

- Total contributions by money source included on the file
- Total loan payments included on the file
- Total compensation or salary amounts included on the file

Plan Administrator is responsible for confirming control totals match the final total calculated by Empower for the associated file.

Payroll File Transmission

The Plan Administrator or their designated payroll provider submits the Plan's payroll file:

- In the agreed-upon format specific to the Plan's needs.
- On a defined schedule that typically coincides with the employer's payroll frequency.

The Plan Administrator (or their designated payroll provider) retains responsibility for submitting payroll or contribution and demographic files according to the agreed-upon schedule.

Empower provides secure payroll file transmission channels, such as Secure File Transfer Protocol (sFTP) or secure file upload through the Plan Service Center (PSC) to assist in safeguarding sensitive data from potential security threats. If the Plan chooses to submit payroll files using any alternate, non-secure methods, then the Plan Administrator retains responsibility for ensuring the data is transmitted to Empower securely.

Payroll File Pre-Processing

File Validation

When a payroll file is submitted for processing, a series of file validations are performed to identify file issues and prevent bad data from being loaded to the recordkeeping system. Possible file validation errors could include but are not limited to:

- Large amount of missing data. For example, 10% of individuals listed on the file are missing a Social Security Number (SSN)
- Suspected file mapping issues where data is reported in the wrong column. For example, SSNs are listed in the Participant Last Name column.
- Payroll submitted does not match the expected payroll reporting period. For example, last month's payroll file was sent for this week's payroll period.

When such errors are identified, the Plan's established PSC user (responsible for transmitting the associated file) is notified via email that issues exist and must be addressed before processing may continue. If file validation issues are not resolved timely, then the file is deleted and must be transmitted again to restart contribution processing.

NOTE: If the Plan Administrator cancels transmission due to file validation errors, then the file must be transmitted again to restart contribution processing.

Once the file has been validated, Empower may perform additional data verifications and/or data manipulations as needed to perform certain services or calculations elected by the Plan. Examples of additional processes may include but are not limited to:

- Calculating individuals' eligibility to participate in the Plan.
- Calculating participants' vested balances in employer money sources according to the Plan's vesting schedule(s).

When the Plan submits individual demographic data files separate from contribution files, additional processes are run on the file that contains the data relative to the specific process. For example, eligibility and vesting calculations require hire/re-hire dates, termination dates, and, in some cases, hours worked. These data points are typically included on a Plan's demographic file.

New Participant Enrollment

New participants must have an account established on the recordkeeping system prior to submitting any associated contributions.

If the Plan submits demographic and contribution information on the same file (combined), then new accounts are established on the recordkeeping system when a new individual is included on the payroll file.

If the Plan submits demographic data on a separate file from contribution information, then new accounts are only established on the recordkeeping system for individuals when reported on the demographic file. If the Plan submits a contribution file with new participants included prior to submitting the demographic file, the Plan Administrator is responsible for manually enrolling new participants using the PSC prior to submitting their associated contributions.

Failure to establish a participant's account prior to submitting contributions will result in errors during contribution processing.

Contribution Processing

Upon completion of pre-processing activities described above, the Plan Administrator or payroll provider completes the following payroll processing activities as applicable:

Task	Description
Verifies control totals	- Reviews and verifies calculated control totals match control totals provided by the Plan. - Researches, reconciles, or otherwise resolves control total mismatches. - Enter and confirm payroll date or date contributions are expected to post to participant accounts.
Clears warnings and errors	- Reviews any error or warning messages generated by the recordkeeping system for the associated file at the time of processing. - Errors and warnings do not prevent contributions from being deposited into participant accounts.
Resolves rejects	- Reviews, researches, and resolves any reject messages generated by the recordkeeping system for the associated file at the time of processing. - Rejects prevent contributions from being deposited into participant accounts.

NOTE: The Plan Administrator is responsible for addressing any errors, warnings, and rejects that present themselves on the PSC during contribution processing. However, errors, warnings, and rejects are point in time specific. Market fluctuation, intervening fund activity, or other participant account updates could occur after processing is completed but prior to depositing funds into participant accounts that could also require Plan Administrator review and/or direction.

Common Contribution Processing Issues

Negative Contributions

The term negative contributions refers to submitting negative contribution amounts for a participant on the Plan's payroll file.

Processing a negative contribution is considered a contribution reversal not a contribution correction. The associated amount is deducted from the participant's account as follows:

- From the associated money source as indicated on the payroll file.
- According to the participant's current investment allocations on file.

NOTE: Any associated earnings are not deducted from the participant's account when processing a contribution reversal using negative contributions.

If a participant's account has insufficient funds needed to cover the negative contribution from the associated money source and according to the participant's current investment allocations on file during contribution processing, then the Plan Administrator is responsible for providing alternate direction.

If negative contribution errors are identified during contribution posting, then the following describes how negative contributions are applied when a participant's account does not have a sufficient balance to appropriately cover the negative contribution amount:

Scenario	Description
Zero account balance	• Negative contributions cannot be applied to participant accounts when they have $0.00 balance. • Additional funding for the associated payroll file will be required to cover the negative contribution that cannot be applied to the participant's account.
Sufficient account balance but insufficient investment balance	• Occurs when the participant's underlying investment balances have insufficient funds to deduct the negative contributions based on their current investment allocations. • Negative contributions are deducted proportionally across investment balances based on the percentage each investment balance contributes to the participant's total account balance.
Insufficient account balance	• Occurs when the participant has an account balance but not enough to deduct the full amount of the negative contribution. • Negative contributions are deducted from the participant's account for the available balance according to the participant's current investment allocations on file. • If the participant's underlying investment balances have insufficient funds to deduct the negative contributions based on their current investment allocations, then negative contributions are deducted proportionally across investment balances based on the percentage each investment balance contributes to the participant's total account balance. • Additional funding for the associated payroll file will be required to cover the negative contribution that cannot be applied to the participant's account.

NOTE: Submitting a payroll file that results in a negative total funding amount and/or total negative amount for one or more money sources (net negative) will result in errors. The Plan Administrator must work with the Service Team prior to submitting a net negative payroll file.

Terminated Accounts with Trailing Contributions

The term trailing contribution refers to when a contribution is received for a participant who no longer has an active account, such as when a terminated participant takes a full or partial withdrawal from their retirement account that brings their account balance to zero ($0.00).

When a trailing contribution is received, Empower reviews the following factors to determine how to apply the contribution(s):

Factor	Action Description
Participant has a re-hire date	Participant's account is re-activated, and contributions are deposited into participant's account.
No re-hire date and final distribution occurred within last 90 days.	If the distribution that resulted in the participant's account balance going to zero ($0.00) occurred within the past 90 days, then any contributions received are refunded to the participant in the same manner as the final distribution was processed.
No re-hire date and final distribution occurred more than 90 days ago	- If the distribution that resulted in the participant's account balance going to zero ($0.00) occurred more than 90 days ago, then Empower contacts the Plan Administrator to determine if the participant is a re-hire before processing may continue. - If the Plan Administrator provides a re-hire date, then participant's account is updated to reflect their rehire status, the account is re-activated, and contributions are deposited into participant's account. - If the Plan Administrator does not provide a re-hire date, then the participant's account is reactivated, and contributions are deposited into participant's account.

Contribution Funding

Once contribution processing is complete, the Plan Administrator provides funding instructions for the associated payroll file as follows:

- Indicates the amount of forfeiture account balance to be used to offset employer contributions for the associated payroll file, if applicable.
- Enters the funding amount to be debited via Automated Clearing House (ACH) from one or more of the Plan's bank accounts on file.

NOTE: Some banks require an additional step to allow ACH transactions. If the Plan's bank only allows ACH transactions from authorized parties, the Plan Administrator must provide the company ID to their bank in order for funding to occur. The associated Company ID is presented on the PSC during contribution funding.

The Plan Administrator is responsible for any ACH rejects or funding delays. Empower notifies the Plan Administrator via email or the To Do List feature on the PSC when these issues arise. The Plan Administrator typically has 3 business days to resolve, otherwise the contribution processing activities and instruction become null and void. The Plan Administrator must re-upload and reprocess the associated payroll file.

Reporting

Once all processing and funding activities are complete, the following reports are sent to the Plan Administrator for the associated file:

Report	Description
Contribution Confirmation	- Identifies the associated payroll date and provides a summary of total contributions included on the associated for the payroll file. - Posted to the My Reports page of PSC for the associated PSC user or could be posted to the PSC through the file sharing feature.
PDI Message Report	- Reports any errors or warnings associated with participant demographic data for the associated file if any were identified during contribution processing. - Posted to the My Reports page of PSC.

The Plan Administrator retains copies of these reports with Plan records for audit purposes.