

## CLIENT CASE STUDY

# Staffing Agency Seeks Smart Solutions to Resolve Plan Testing Issues

After a series of failed ADP testing, Newport Group helped an international staffing company with future test failures as well as further support its highly-compensated employees by automatically redistributing refunds from the company's 401(k) into a deferred compensation plan.

### Situation

An international staffing agency was experiencing a series of ADP testing failures. It turned to Newport Group for help in improving its testing results.

### Solution

Newport Group recommended an automatic deferral into the company's non-qualified deferred compensation (NQDC) plan. Here's how it works: Highly-compensated employees (HCEs) who receive a refund from the 401(k) plan can elect to automatically contribute it to the NQDC plan.

The refund would be received in the calendar year following the year of the 401(k) contribution. Therefore, the election to defer the refund to the NQDC plan must be made during the enrollment process in the year *prior* to the year in which the refund is received.

The refund is therefore received by the employee in cash and an equal amount of salary deferral is made to the NQDC.

Employees not classified as HCEs may contribute up to 50% of their eligible compensation, not to exceed the IRS maximum annual deferral of \$18,500 in 2018 to the 401(k) plan.

Employees age 50 or over, by the end of the calendar year, are also eligible to make an additional catch-up contribution to the 401(k) plan in 2018 up to \$6,000.

### Outcome

To the extent that the plan fails testing and creates refunds, participants elect to have a similar amount automatically deferred to the NQDC. This solution ensures that any taxable income received in the year of the refund is offset by the similar contribution to the NQDC plan.

### Fast Facts

- Industry: International staffing company
- Plan Type: Qualified Plans
  - Participants: 45,000+
  - Plan Assets: \$458M
  - (approximate)
- Plan Type: NQDC
  - Participants: 710
  - Plan Assets: \$143.5M
- Plan Type: NQDC Long Term Incentive Plan
  - Participants: 20
  - Plan Assets: \$1.6M

### How We Helped the Client

- Addressed ADP testing issues
- Enhanced NQDC plan with auto-deferral feature

### How We Helped Our Partner

- Strengthened client relationship
- Strengthened NQDC plan



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