

# Top Hat Plan for Taxable Employers

## CHECKLIST FOR TAXABLE CO-OPS

I. Designing the Plan	
	A. Discuss your co-op's needs with Homestead Advisers Deferred Compensation team.
	B. Identify eligible participants. (Note: They must be part of a "select group of managers or highly compensated employees.")
	C. Adapt Homestead Advisers sample documents to meet your co-op's specific needs. <sup>1</sup>
II. Adopting the Plan	
	A. Review the plan design and all necessary documentation with the co-op's board, corporate attorney and accountant.
	B. Execute the <i>Resolution to Adopt (or Readopt)</i> document(s). Your co-op's adoption resolution must be executed by the co-op's board of directors. <sup>1</sup>
	C. Adopt the <i>Plan Document for Employees (or Directors)</i> . Your co-op must execute a plan document for each plan (e.g., employees' or directors' plan). <sup>1</sup>
	D. Execute the <i>Consulting Services Agreement</i> with Homestead Advisers. <sup>1</sup>
	E. Use the U.S. Department of Labor's online system to e-file your plan's registration statement within 120 days of the plan's adoption. (Refer to Homestead Funds' <i>DOL Statement Exception Filing Instructions</i> for details.) <sup>2</sup>
	F. Provide copies of plan documentation to Homestead Advisers and designate your co-op's primary contact person for the plan. Provide additional contact details if there are other individuals to be included when communicating administrative updates about the plan or to identify a separate annual billing contact.
III. Offering the Plan and Enrolling Participants	
	A. Notify eligible participants and provide/review plan-specific communications/forms.
	B. Provide a copy of the <i>Participant Guide</i> (sample provided). <sup>2</sup>
	C. Provide and collect a <i>Deferral Election Form</i> for individual participants by year-end of the year prior to the initial deferral (sample provided) <sup>1</sup> or, for newly eligible employees, within 30 days of employment with the co-op or eligibility to participate in the plan. <sup>2</sup>

(continued)

### III. Offering the Plan and Enrolling Participants (continued)

- |    |  |
|----|--|
| D. | Provide and collect a <i>Beneficiary Election Form</i> for each participant (sample provided). Remind participants to make future updates as needed (e.g., death of a beneficiary or divorce). <sup>2</sup>  |
| E. | Provide and collect a <i>Payment Election Form</i> (sample provided) for each participant within 60 days of enrollment in the plan. <sup>2</sup> Confirm that participants understand the 409A rules for making any distribution changes ("1 year/5 year" rule). |

### IV. Implementing and Administering the Plan

- |    |  |
|----|--|
| A. | Review <i>Setting Up Future Payments for Top Hat Plan for Employees and Directors</i> instructions. <sup>1</sup>   |
| B. | Review <i>IRS Forms W-2 and 1099 Guidance for Employers with Nonqualified Deferred Compensation Plans</i> instructions. <sup>1</sup>   |
| C. | Open Top Hat Plan accounts at Homestead Funds in the co-op's name for the benefit of individual participants.  |
| D. | Make arrangements with payroll to transmit funds to Homestead Funds account(s) on a routine basis and confirm that payroll will withhold and remit any applicable payroll taxes at the time of deferral. |
| E. | Establish investment procedures for the plan.  |
| F. | Educate participants on investment processes and procedures.   |
| G. | Remind participants about their distribution elections and the plan rules. Confirm that participants understand the 409A rules for making any distribution changes ("1 year/5 year" rule).               |
| H. | In the event the point of contact for the plan changes, provide Homestead Advisers with updated information about the new primary contact for the plan.  |
| I. | When the time comes for distributions, contact Homestead Funds at <a href="mailto:invest@homesteadfunds.com">invest@homesteadfunds.com</a> to set up distributions at least two weeks in advance.        |

<sup>1</sup>Indicates Homestead Advisers to provide

<sup>2</sup>Indicates availability of instructions, participant guide and/or sample document(s) online at [homesteadadvisers.com/deferredcomp](http://homesteadadvisers.com/deferredcomp)

**IMPORTANT:** Homestead Funds offers nonqualified deferred compensation plans as an additional service to members for their employees and directors and provides certain administrative support services; however, Homestead Advisers does not sponsor or act as the plan administrator of these plans, assume liability for their operation, or provide legal or tax advice in conjunction with the plans. Employers and participants are responsible for any tax or legal consequences associated with their adoption, operation or participation in nonqualified deferred compensation plans.