



Vesting

OVERVIEW

Vesting refers to the percentage of employer contributions the participant has non-forfeitable rights to in their retirement account. For employer contributions, participants may be 100% immediately vested or may become vested over time, depending on Plan provisions. Vested assets may be available for withdrawals and loans if allowed by the Plan.

NOTE: Participant contributions are never subject to vesting rules or schedules.

Once eligible for a distribution, participants who do not meet all vesting requirements are not entitled to withdraw unvested employer assets.

When terminated participants request a full withdrawal from their retirement account, unvested account balances are systematically removed from the participant's account and deposited into the Plan's forfeiture account during withdrawal processing.

Vesting Schedules

A vesting schedule is a Plan provision that defines the rate, timeline, and percentage of employer contributions to which the participant becomes entitled. Vesting schedules may be specific to each employer money source and are typically based on the participant's years of service or other Plan-level vesting rules.

The following identifies the types of vesting schedules commonly used by retirement Plans:

Schedule	Description
Immediate	Participants are immediately vested for 100% of the employer contributions.
Cliff Schedule	<ul style="list-style-type: none">Participants need to work a certain number of years before they are eligible for any of the employer contributions.Example: For service years between 0 and 2 participants are 0% vested. Once they have completed 3 years of service, they are 100% vested.
Graded Vesting Schedule	<ul style="list-style-type: none">Participants are entitled to a greater vested percentage for each year that they work.Example: Upon completion of 2 years of service, participants are 25% vested. Participants receive an additional 25% for each year of service beyond 2 years (50% year 3, 75% year 4, 100% year 5).

Accelerated Vesting Conditions

Plan documents may also contain provisions that allow a participant's vesting to be accelerated to 100% without meeting the defined rules and schedules. Some examples of accelerated vesting options include:

- Actively employed participants reaches early or normal retirement age.
- Participant terminates employment due to death or disability.

Vesting Calculations

Steps for calculating participant vesting varies based on the Plan's elected vesting service level.

Empower Provides Full Vesting Calculation Services

- The Plan Administrator provides data needed to calculate vesting to Empower for each participant to be used for vesting calculation purposes.
- When Empower provides vesting calculating services, services include:
 - Maintaining each participant's vesting percentage on the recordkeeping system.
 - Calculating and processing withdrawals and/or loans according to the calculated vested percentage without the Plan Administrator's further review or approval.
- **NOTE:** If data provided by the Plan Administrator is missing or inaccurate, Plan Administrator intervention and direction may be required.

Empower Provides Information Only Vesting Services

The Plan Administrator:

- Provides current vesting information or data needed to calculate vesting to Empower for each participant at least annually but recommended quarterly.
- Provides vesting approval or corrected vesting information for each loan and/or distribution requested, typically using the To Do List feature on the Plan Service Center (PSC).

NOTE: The recordkeeping system calculates or otherwise stores participant vesting information for informational and display purposes only.

Plan Administrator Calculates Vesting

The Plan Administrator:

- Manages all vesting calculations and administration.
- Maintains responsibility for separately providing vesting information to participants.
- Provides current vesting information to Empower for each participant loan and/or distribution requested, typically via the To Do List feature on the Plan Service Center (PSC).

NOTE: The recordkeeping system does not store participant data needed to calculate or display vesting information even if provided by the Plan.

The non-discretionary recordkeeping and administrative services described in this Service Overview are general in nature and reflect the standard service offering. Service descriptions are not specific to any plan provision or administration practice. The recordkeeper may agree to provide an alternate service arrangement, as applicable, if separately requested by the Plan Sponsor. FOR ADVISOR/PLAN SPONSOR OR TPA USE ONLY. Not for use with Plan Participants