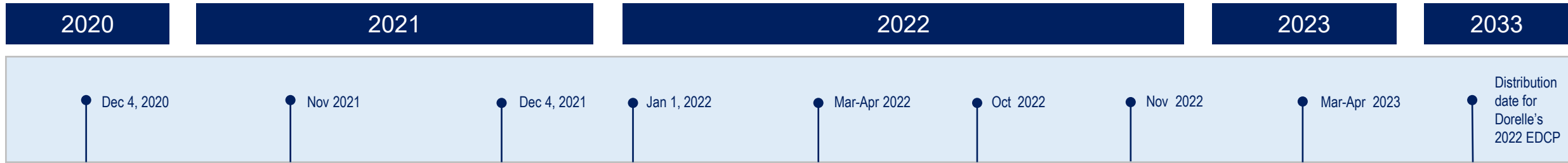


401(k) & EDCP Participation Journey Map

Dorelle is a 62-year-old Senior Marketing Director hired on December 4, 2020. She is eligible for the 401(k) plan and the Albertsons Companies Executive Deferred Compensation Plan (EDCP). With an annual base salary of \$180,000 plus a \$35,000 bonus in 2021 and 2022, Dorelle is considered a Highly Compensated Employee (HCE) by the IRS for 401(k) plan nondiscrimination testing. **Note:** Throughout this example, Dorelle remains actively employed as a 401(k) Plan and EDCP-eligible associate.



Dorelle's first day of work. She elects to contribute 6% of her base annual salary (\$10,800) to her 401(k).

After discussing the options with her financial advisor, Dorelle enrolls in the EDCP for 2022 during the annual enrollment period. She elects to defer 50% of her eligible bonus for distribution as a lump sum in 2033.

Dorelle works 1,000 hours before her first anniversary, making her 401(k) Plan contributions after Dec 4, 2021, eligible for a discretionary match.

Dorelle increases her 401(k) contribution to 10% of her base annual salary (\$18,000).

Dorelle receives a discretionary Company match contribution in her 401(k) for the 2021 plan year.

Dorelle receives a letter regarding the likelihood that the 401(k) Plan will need to return "excess contributions" made by HCEs. Dorelle is happy she decided to enroll in the EDCP for 2022. She does not have to worry about 401(k) excess contributions being returned to her.

Dorelle enrolls in the EDCP for 2023 during the annual enrollment period. Even though Dorelle enrolled in 2022, **she needs to enroll again if she wants to participate in 2023.**

Dorelle receives a \$6,300 discretionary Company match contribution in her 401(k) for the 2022 plan year.²

Dorelle receives a lump-sum payment on the distribution date she elected during the 2022 EDCP annual enrollment.

The Plan is required to conduct annual IRS testing to make sure the benefits don't favor HCEs over non-HCEs. Historically, the Plan has failed the test.*

Dorelle would receive the benefits described in this example by deferring as little as 1% of her base salary or 1% of her bonus.

There are 3 weeks remaining in 2021 that are eligible for a Company match. The discretionary match contribution is based on Dorelle's earnings and 401(k) contributions after meeting the match eligibility requirement.¹

The contributions Dorelle made after December 4, 2021, are eligible for the Company match.

Dorelle receives a letter indicating the 401(k) Plan has failed nondiscrimination testing in 2022 and that contributions above \$12,000 would be returned to HCEs or deposited into the EDCP.

When Dorelle retires, her annual income decreases, reducing the amount of federal, state and local taxes she pays for the deferred compensation.

¹ Dorelle's contributions after December 4, 2021, are eligible for the Company match:

- $\$180,000 \div 52 = \$3,461.54 \times 3 \text{ weeks} = \$10,384.62$ (Dorelle's eligible earnings)
- $\$10,384.62 \times 6\% = \$623.08 \times 50\% = \$311.54$ (Company match contribution)

Dorelle's total contributions to the 401(k) in 2021:

- $\$10,800.00 + \$311.54 = \$11,111.54$

² Dorelle's 2022 contributions (\$18,000) will be eligible for the Company match:

- $\$180,000 \times 7\% = \$12,600 \times 50\% = \$6,300$ (Company match contribution)

Dorelle's total contributions to the 401(k) in 2022 before discrimination testing:

- $\$18,000 + \$6,300 = \$24,300$

Dorelle's total contributions to the 401(k) in 2022 after discrimination testing:

- $\$12,000 + \$4,200 = \$16,200$

³ Dorelle's 2022 Contributions to the EDCP:

- 50% of her 2022 bonus: $\$35,000 \times 50\% = \$17,500$
- \$6,000 from her 401(k) excess contribution + \$2,100 (Company match from her excess 401(k) contribution) = \$8,100
- EDCP Company match is $\$15,050 (\$215,000 \times 7\%) - \$2,100$ (401(k) match from excess contributions) = \$12,950
- 2022 EDCP total contribution: $\$17,500 + \$8,100 + \$12,950 = \$38,550$

* The Albertsons Companies 401(k) Plan is a "tax-qualified" retirement plan. In addition to imposing annual contribution limits, federal income tax law requires that the Plan complies with "nondiscrimination rules" that restrict the amount of contributions that may be contributed to the Plan. To ensure the Plan complies with IRS regulations, contributions paid into the Plan are reviewed each year by retirement Plan experts and legal counsel.

401(k) Participation Journey Map

Paola is a 42-year-old Assistant Grocery Sales Manager hired on March 1, 2020. She is eligible for the 401(k) Plan, but not for the Albertsons Companies Executive Deferred Compensation Plan (EDCP). With an annual base salary of \$120,000 plus a \$35,000 bonus in 2020, Paola is considered a Highly Compensated Employee (HCE) for 2021 by the IRS for 401(k) plan nondiscrimination testing. **Note:** Throughout this example, Paola remains actively employed as a 401(k) Plan-eligible associate.

