401(k) & EDCP Participation Journey Map

Dorelle is a 62-year-old Senior Marketing Director hired on December 9, 2024. She is eligible for the Albertsons Companies 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 2025 and 2026, 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 and eligible for both the 401(k) Plan and EDCP.

2024

Dec 9, 2024

Dorelle's first day of work. She elects to contribute 6% of her eligible earnings to her 401(k). When a participant makes a deferral election for 401(k), it applies to both base earnings and bonus.

The 401(k) 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.*

2025

Nov 2025

After discussing the options with her financial advisor, Dorelle enrolls in the EDCP for 2026 during the annual enrollment period. She elects to defer 50% of her eligible bonus for distribution as a lump sum in 2037.

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

Dec 9, 2025

Dorelle works 1,000 hours before her first anniversary, making her 401(k) Plan contributions after Dec 9, 2025, eligible for a discretionary match.

There are 3 weeks remaining in 2025 that are eligible for a Company match. The discretionary match is based on Dorelle's earnings and 401(k) contributions after meeting the match eligibility requirement.[1]

2026

Jan 1, 2026

Dorelle increases her 401(k) contribution to 10% of her eligible earnings ($21,500).

Mar-Apr 2026

Dorelle receives a discretionary Company match contribution in her 401(k) for the 2025 plan year.

The contributions Dorelle made after December 9, 2025, are eligible for the Company match.

Oct 2026

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 2026. She does not have to worry about 401(k) excess contributions being returned to her.

Nov 2026

Dorelle enrolls in the EDCP for 2027 during the annual enrollment period. Even though Dorelle enrolled for 2026, **she needs to enroll again if she wants to participate in 2027.**

2027

Mar-Apr 2027

Dorelle receives a $7,525 discretionary Company match contribution in her 401(k) for the 2026 plan year.[2]

Dorelle receives a letter indicating the 401(k) Plan has failed nondiscrimination testing in 2026 and that contributions above $13,000 will be returned to HCEs or deposited into the EDCP.

Because Dorelle enrolled in the EDCP for 2026, $8,500 of her 2026 401(k) contributions are transferred into the EDCP along with $1,025 for the portion of the Company match attributable to the $8,500 excess 401(k) contribution.[3]

2037

Distribution date for Dorelle's 2026 EDCP

Dorelle receives a lump-sum payment on the distribution date she elected during the 2026 EDCP annual enrollment.

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

[1] Dorelle's 401(k) contributions after December 9, 2025, are eligible for the Company match:
- $180,000 ÷ 52 = $3,461.54 × 3 weeks = $10,384.62 (Dorelle's eligible earnings)
- $10,384.62 × 6% = $623.08 × 50% = $311.54 (Company match contribution)

Dorelle's total contributions to the 401(k) in 2025:
- $12,900.00 + $311.54 = $13,211.54

[2] Dorelle's 2026 401(k) contributions ($21,500) will be eligible for the Company match:
- $215,000 × 7% = $15,050 × 50% = $7,525 (Company match contribution)

Dorelle's total contributions to the 401(k) in 2026 before nondiscrimination testing:
- $21,500 + $7,525 = $29,025

Dorelle's total contributions to the 401(k) in 2026 after nondiscrimination testing:
- $13,000 + $6,500 = $19,500

[3] Dorelle's 2026 contributions to the EDCP:
- 50% of her 2026 bonus: $35,000 X 50% = $17,500
- $8,500 from her 401(k) excess contribution + $1,025 (Company match from her excess 401(k) contribution) = $9,525
- 2026 EDCP total contribution: $17,500 + $9,525 = $27,025

* 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 401(k) Plan complies with "nondiscrimination rules" to ensure the 401(k) Plan does not favor highly compensated employees. To ensure compliance with IRS regulations, 401(k) Plan contributions are reviewed each year by retirement plan experts and legal counsel.