



## PREVAILING WAGE PLANS

One of the unique allocation design alternatives that is available for profit sharing plans is the prevailing wage plan. Although not an option for all employers, it is extremely attractive for the building or road contractor or national service contract vendor. As part of the profit sharing plan, the contributions have some of the same characteristics of a profit sharing plan:

- **Discretionary Contributions** – Contributions to these plans can vary, based upon the fringe benefits required to be paid under the contracts that the Employer enters into when being granted the bid on a project. The over-all limitation for the deduction is the same as a Profit Sharing Plan - up to 25% of total eligible salary each year.
- **Tax Benefits** – Employers can take a tax deduction for contributions made to this plan and not pay any payroll taxes on the dollars contributed to the retirement plan. In addition, the employees' investment earnings grow on a tax-deferred basis.
- **More Flexible Distribution Alternatives** – Employer contributions to Profit Sharing Plans can have a more lenient distribution policy attached to them. As part of the employer contribution component of the Plan, the Prevailing Wage Account can provide for early distribution options.

### ALLOCATION METHODS

Allocations for traditional Profit Sharing Contributions are based upon the traditional methods, while allocations for the Prevailing Wage component are unique.

The allocation to a participant's account is directly related to the number of hours that employee works on a Prevailing Wage or Davis Bacon job, along with the published rate of benefit payments due for that job.

Base compensation and fringe benefit payments are published by county, by state. An employer that performs work in more than one county within a state could have more than one level of required compensation that it may be required to pay to one employee who is performing exactly the same service for the two separate jobs.

The integration of the retirement plan with the prevailing wage compensation rates helps the employer stay competitive with its peers, for both collectively bargained and non-collectively bargained competitors.

### JULY BUSINESS SERVICES

The professionals at July Business Services have more than 25 years experience in designing, installing, and operating Qualified Retirement Plans. We can provide you with the information and tools you need to make your retirement plan a success. Our services include:

- Plan Design & Document Services
- Employee Communications
- Nondiscrimination Testing
- Distribution & Loan Processing
- Tax Compliance Services

For more detailed information on prevailing wage retirement plan options, please call us at 888-333-5859 or visit our website at [www.julyservices.com](http://www.julyservices.com).