

Ftwilliam.com Admin Software

Mini Class – Part 2

Presented by: Melissa Howard

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Agenda

- Order of operation
- Eligibility
- Allocations
- Testing
- Transactions
- Statements

Order of Operation

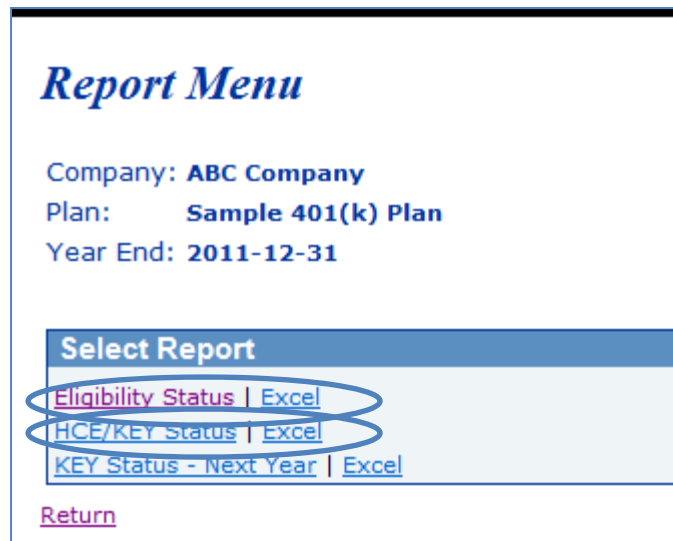
- Left to Right: Parameters – Do task – Print Reports
- Top to Bottom

| Select Task | | |
|--|--|-------------------------------|
| Edit Census Review Docs Portal Download Current Download Prior Upload Census | | |
| Other Import/Export/Reports | | |
| Scrub/Eligibility Parameters | Do Data Scrub/Elig Calc () | Print Reports |
| Set Allocation Parameters | Do Allocations () | Print Reports |
| Set Combined Test Parameters | Do Combined Test () | Print Reports |
| Set ADP/ACP Testing Parameters | Do ADP/ACP Test () | Print Reports |
| Set General Test Parameters | Do General Test () | Run Combined |
| Set Top Heavy Test Parameters | Do Top Heavy Test () | Print Reports |
| Printing Parameters/Client Package | | |
| Set Printing Parameters | Select Reports | Print Package |
| Miscellaneous Tasks | | |
| RMD Menu Vesting Export | | |
| 8955-SSA Export Menu 1099-R Export Menu | | |
| 5500 Data Report | | |
| Global Participant Search Summary of Test Results | | |



Review Eligibility/Status Reports

- Before tests are run, the Eligibility Status and HCE/Key Status reports should be reviewed to ensure data is correct. These reports are found by clicking the print report link to the right of the data scrub link.
- Note that all reports are available in Microsoft Word or Excel



Report Menu

Company: **ABC Company**
Plan: **Sample 401(k) Plan**
Year End: **2011-12-31**

Select Report

| |
|--|
| Eligibility Status Excel |
| HCE/KEY Status Excel |
| KEY Status - Next Year Excel |

[Return](#)

Allocations

- Set allocation parameters
 - Overrides
 - Override EE Contributions to be matched
 - Set this to yes when you have match with different eligibility than deferrals.
 - Use Sample Census (comp and comp after elig) plus match deferrals
 - If overriding contribution, option to have true-up report
 - Enter contribution match and profit sharing
- Allocation will abort if:
 - Deduction limit is exceeded
 - Amount is insufficient to meet top heavy minimums
 - Integrated formula is not compliant

Allocation Overrides

| Overrides | |
|--|-----------------------------|
| Override Employee Contributions to be matched (requires entry of matched contributions in census): | No ?? |
| Match allocation manual override: | No ?? |
| If Match allocation override, calculate true-ups: | No ?? |
| If Match allocation override, calculate match associated with ADP refund based on formula: | No ?? |
| Safe Harbor Match allocation manual override: | No ?? |
| If Safe Harbor Match allocation override, calculate true-ups: | No ?? |
| If Safe Harbor Match allocation override, calculate match associated with ADP refund based on formula: | No ?? |
| Nonelective allocation manual override: | No ?? |
| If Nonelective allocation override, calculate true-ups: | No ?? |
| Safe Harbor Nonelective allocation manual override: | No ?? |
| If Safe Harbor Nonelective allocation override, calculate true-ups: | No ?? |
| QNEC allocation manual override: | No ?? |
| If QNEC allocation override, calculate true-ups: | No ?? |
| Calculation of points override: | No ?? |
| Average benefits calculation override: | No ?? |
| If Average benefits calculation override, enter percentage: | 0.000000 ?? |
| Is there another plan that must be taken into account for Average Benefits: | No ?? |

Allocation Formulas - Match

| Matching Allocations | |
|---|---------------|
| Matching - Safe Harbor | |
| Number of Safe Harbor Matching rates: | 2 rates ?? |
| Enter rate of Matching Contributions on first tier (without % sign): | 0.000000 ?? |
| Enter maximum amount of Employee Contributions matched on first tier (without % sign) | 0.000000 ?? |
| If two tiers, enter rate of Matching Contributions on second tier (without % sign) If one tier, enter zero: | 0.000000 ?? |
| If two tiers enter maximum amount of Employee Contributions matched on second tier (without % sign): | 0.000000 ?? |
| Matching - Fixed Rates | |
| Matching Contribution formula (if SH Match, enter number of added Tiers): | 2 rates ?? |
| Indicate whether max component of tier is percent or dollar amount: | Percent ?? |
| Enter rate of Matching Contributions on first tier: | 100.000000 ?? |
| Enter maximum amount of Employee Contributions matched on first tier: | 2.000000 ?? |
| If two tiers, enter rate of Matching Contributions on second tier: | 50.000000 ?? |
| If two tiers enter maximum amount of Employee Contributions matched on second tier: | 5.000000 ?? |
| If three tiers, enter rate of Matching Contributions on third tier: | 0.000000 ?? |
| If three tiers enter maximum amount of Employee Contributions matched on third tier: | 0.000000 ?? |
| If four tiers, enter rate of Matching Contributions on fourth tier: | 0.000000 ?? |
| If four tiers enter maximum amount of Employee Contributions matched on fourth tier: | 0.000000 ?? |



Allocation Formulas – Profit Sharing

Nonelective

Safe Harbor Nonelective

Nonelective Safe Harbor contribution: ??

Regular Nonelectives

Allocation type: ??

Nonelective contribution in total dollars to be allocated: ??

Nonelective contribution in percent: ??

If integrated, enter amount of permitted disparity (max 5.7% or other lower applicable rate) : ??

Dollar amount of allocation per point: ??

Dollar amount of Fixed Amount allocation: ??

Age Weighted

Age Weighted dollar amount of allocation per factor: ??

Age Weighted Interest: ??

Age Weighted Actuarial Table: ??

Provide decrement for participants past NRA: ??

[Return](#) [Run Edit Checks](#) [Clear Edit Checks](#)

Maximize Parameters . Refresh

Select Group of Participants to maximize: ??

Amount to maximize: ??

If maximize fixed amount, enter amount: ??

ID of Participants to maximize: ??

[Return](#) [Run Edit Checks](#) [Clear Edit Checks](#)



Combined Test

- Note: Run tests in order listed
- Set Combined Test Parameters
 - Plan aggregation
 - Disaggregation of OEE
 - Compensation testing
- Run Combined test
 - 415 limit
 - 410(b) coverage test
 - 404 deduction limit test
 - 414(s) compensation test



ADP/ACP Test

- Set ADP/ACP Test Parameters
 - Methods to avoid failure
 - Prior Year

Prior Year Elections

ADP Prior Year Elections
ADRs of NHCEs: ??

ACP Prior Year Elections
ACRs of NHCEs: ??

First Plan Year
First Plan Year as an Elective Deferral plan: ??

ADP NHCE % for first Plan Year: ??

ACP NHCE % for first Plan Year: ??

[Review/Edit Prior Year Data](#)

ADP ACP Prior year

Company: ABC Company
Plan: Sample 401(k) Plan
Year End: 2011-12-31
[Return](#)

Warnings
No prior year Plan record found. Empty ADP ACP records inserted.

| Group | | | ADP | | ACP | | |
|-----------------|------|---------------------|----------|----------|----------|----------|------------------------------------|
| Union/Non-Union | Comp | Dissagregation | NHCE Cnt | NHCE ADP | NHCE Cnt | NHCE ACP | Update |
| N/A | | All | 0 | 0.00 | 0 | 0.00 | Update NHCE Result |
| N/A | | DisaggOver/ExclNHCE | 0 | 0.00 | 0 | 0.00 | Update NHCE Result |
| N/A | | DisaggUnder | 0 | 0.00 | 0 | 0.00 | Update NHCE Result |

[Return](#)



ADP/ACP Test Corrections

- Corrections
 - QNEC: Pro-Rata, Flat dollar, Targeted (previously bottom-up)
 - Refunds
 - Option to calculate match associated with ADP refund in Set Allocation Parameters

Test Fails
 Select testing combination to correct: ExclNHCE:1

[Do Refunds/Calculate Catch-ups](#) | [Estimate QNECs](#)
[Print Report](#)

ADP/ACP Testing Results

| Union/Non-Union | Group | Disaggregation | ADP | | | | ACP | | | | | ACP Result | | |
|-----------------|-------|----------------|----------|----------|------|---------|----------|----------|----------|--------------|---------|------------|---------|------|
| | | | NHCE Cnt | NHCE ADP | MAX | HCE ADP | NHCE Cnt | ACP Orig | From ADP | ADJ NHCE ACP | ADJ MAX | | HCE ACP | |
| N/A | | DisaggOver | 4 | 5.55 | 7.55 | 8.73 | FAIL | 3 | 1.33 | 0.00 | 1.33 | 2.66 | 2.00 | PASS |
| N/A | | DisaggUnder | 0 | 0.00 | 0.00 | 0.00 | PASS | 0 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | PASS |
| N/A | | ExclNHCE | 4 | 5.55 | 7.55 | 8.73 | FAIL | 3 | 1.33 | 0.00 | 1.33 | 2.66 | 2.00 | PASS |

Test Fails
 Select testing combination to correct: ExclNHCE:1

[Do Refunds/Calculate Catch-ups](#) | [Estimate QNECs](#)
[Print Report](#)



ADP/ACP Test Corrections

ADP ACP Corrections

Company: **My Company**
Plan: **My Company JN 2011 Demo Plan**
Year End: **2011-12-31**

ADP Test Result: FAIL

| Name | SSN | Comp | Contrib | ADR | Adj ADR | Prelim \$ | Refund Prelim | CatchUp ADP | Total Refund | Elective Refund | Roth Refund | CatchUp 402g Prev. used |
|--------------------|-------------|-----------|----------|-------|---------|-----------|---------------|-------------|--------------|-----------------|-------------|-------------------------|
| Fonda, Henry | 111-11-1117 | 175000.00 | 16500.00 | 9.43 | 7.33 | 3672.50 | 3832.25 | 3832.25 | 0.00 | 0.00 | 0.00 | 0.00 |
| Gable, Clark | 111-11-1118 | 245000.00 | 11025.00 | 4.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Hepburn, Audrey | 111-11-1120 | 150001.00 | 11000.00 | 7.33 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Hepburn, Katharine | 111-11-1121 | 145000.00 | 16500.00 | 11.38 | 7.33 | 5871.50 | 3832.25 | 0.00 | 3832.25 | 3832.25 | 0.00 | 0.00 |
| Leigh, Vivien | 111-11-1123 | 245000.00 | 16500.00 | 6.73 | 0.00 | 0.00 | 3832.25 | 0.00 | 3832.25 | 3832.25 | 0.00 | 5500.00 |
| Stewart, Jimmy | 111-11-1126 | 160001.00 | 16500.00 | 10.31 | 7.33 | 4771.93 | 3832.24 | 3832.24 | 0.00 | 0.00 | 0.00 | 0.00 |
| Wayne, John | 111-11-1128 | 159000.00 | 16500.00 | 10.38 | 7.33 | 4845.30 | 3832.24 | 3832.24 | 0.00 | 0.00 | 0.00 | 0.00 |

ACP Test Result: PASS

No corrections

ADP Refund Earnings

| Name | SSN | Beg Bal + Contrib | Earnings | Percent | Refund | Refund Earn |
|--------------------|-------------|-------------------|----------|---------|---------|-------------|
| Hepburn, Katharine | 111-11-1121 | 0.00 | 0.00 | 0.0000 | 3832.25 | 0.00 |
| Leigh, Vivien | 111-11-1123 | 0.00 | 0.00 | 0.0000 | 3832.25 | 0.00 |

[Update Earnings](#)

[Update ADP/ACP refund earnings with transaction data](#)

Note: Elective Deferrals and Roth will be combined for ADP Corrections



ADP/ACP Test Corrections

- QNEC depends on plan specifications – pro-rata, targeted & flat dollar amount available
- If pro-rata, needs to be made to NHCEs only
- Is just an estimate

QNEC Results

Company: My Company
Plan: My Company JN 2011 Demo Plan
Year End: 2011-12-31

Testing Group: All

| QNEC Formula | Pro rata |
|--|----------|
| ADP Test | FAIL |
| HCE ADP | 8.58 |
| NHCE ADP Required to Pass | 6.58 |
| Actual NHCE ADP | 4.84 |
| Additional NHCE ADP Percent Needed | 1.74 |
| ACP Test | PASS |
| Total NHCEs in Test | 10 |
| Base NHCEs Needed for Non-Disproportionate | 5 |

Estimated QNECs

| | |
|--|-------|
| Allocation Percent | 1.74% |
| Additional NHCE Percent Achieved | 1.74% |
| High Rate | 1.74% |
| Representative Rate | 1.74% |
| Greater of 5% and 2x Representative Rate | 5.00 |
| Disproportionate Result | PASS |

Estimated Total Cost

| | |
|------------|------------|
| Total Cost | \$10509.60 |
|------------|------------|

Detailed Calculations

| Name | Eligible QNEC | Compensation | QNEC Rate | QNEC Allocation |
|----------------------|---------------|--------------|-----------|-----------------|
| Bacall, Lauren | Yes | \$106000.00 | 1.74% | \$1844.40 |
| Ball, Lucy | Yes | \$65000.00 | 1.74% | \$1131.00 |
| Bogart, Humphrey | Yes | \$104000.00 | 1.74% | \$1809.60 |
| Burton, Richard | Yes | \$55000.00 | 1.74% | \$957.00 |
| Devils, Bette | Yes | \$35000.00 | 1.74% | \$609.00 |
| De Havilland, Olivia | Yes | \$109000.00 | 1.74% | \$1896.60 |
| Grant, Cary | Yes | \$45000.00 | 1.74% | \$783.00 |
| Monroe, Marilyn | Yes | \$25000.00 | 1.74% | \$435.00 |
| Tracy, Spencer | Yes | \$45000.00 | 1.74% | \$783.00 |
| Wood, Natalie | Yes | \$15000.00 | 1.74% | \$261.00 |
| Total | | \$604000.00 | | \$10509.60 |

Note: These amounts are estimates only. If these QNECs are allocated, it is necessary to re-run all tests (e.g., ADP/ACP 415, etc.) to ensure the desired results.

[HMMMMMMMM - Let's try something else | Allocate estimated QNECs](#)



Top Heavy Test

- Parameters
 - Add other plan balances
 - Input top-heavy status – first year only
- Troubleshooting
 - Transactions must be posted
 - Key employees must be correctly identified

Compliance - Exercise

- Run an allocation for the following employer contributions:
 - Match of 25% on the first 15% of deferrals
 - Profit Sharing of 5% (pro-rata formula)
- Run tests and review results

Transaction Menu

- Adding batches:
 - Upload from vendor
 - Create from allocation
 - Create manually
 - Other options
 - Allocate earnings
 - Create beginning balances

Create Batch

[Return](#)

Batch Description:

Transaction Type: ▼

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- BegBal
- Contrib-ROLLREL
- Contrib-ROLLUNREL
- Contrib-ROLLROTHNT
- Contrib-ROLLROTHTAX
- Contrib-401K
- Contrib-ROTH
- Contrib-MATCH
- Contrib-QNEC
- Contrib-PS
- TransferIn
- Earn
- Fees
- UnrealGain
- LoanDist
- LoanRepay
- Forfeit
- ForfeitAlloc
- TransferOut
- Distribution
- Inservice
- LoanDef
- ADPACPCorr
- InsPrem
- EndBal

Earnings Allocation

- Set Specifications on Work with Sources screen
 - Earnings Allocation Method
 - Current year factor
 - Current year contribution factor

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Source Setup

[Return](#) | [Update](#) | [Loan Source Distribution/Hierarchy](#)

| Seq | SourceID | Suppress | Top Heavy | Source Name | Source Desc | Source External ID | Vesting | Vest Other | Contribution Source | Earnings Alloc Meth | Curr Yr Factor | Curr Yr Contrib Factor | Account Information |
|-----|----------|----------|-----------|-----------------------|-------------------------------|--------------------|-----------------|------------|---------------------|-------------------------|----------------|------------------------|----------------------|
| 100 | 401K | No | Yes | Elective Deferral | Elective Deferrals | | 100% | N/A | ElectiveDeferral | Bal Forward - Trad | 100.00 | 0.00 | Edit |
| 110 | ROTH | No | Yes | Roth Deferral | Roth Elective Deferrals | | 100% | N/A | Roth | Bal Forward - All Trans | 100.00 | 0.00 | Edit |
| 120 | MATCH | No | Yes | Matching Contribution | Matching Contribution | | 2-6 Year Graded | N/A | Matching | Bal Forward - Trad | 100.00 | 0.00 | Edit |
| 130 | QMAC | Yes | Yes | QMAC | Qualified Matching Contributi | | 100% | N/A | QMAC | Bal Forward - Trad | 100.00 | 0.00 | Add |
| 140 | QNEC | Yes | Yes | QNEC | Qualified Nonelective Contrib | | 100% | N/A | QNEC | Bal Forward - Trad | 100.00 | 0.00 | Add |
| 150 | PS | No | Yes | Profit Sharing | Profit Sharing Contribution | | 2-6 Year Graded | N/A | NonElective | Bal Forward - Trad | 100.00 | 0.00 | Edit |



Earnings Allocation Formula

- Earnings =
 - Beginning balance +
 - Current Year Factor times current year activity (any activity other than contributions, i.e. distributions) +
 - Current year factor is usually set at 100%. This setting will not allocate any earnings to a participant who had a full distribution during the current plan year.
 - Current Year Contrib Factor times current year contributions
 - Current year contribution factor is sometimes set at 50% for deferrals and match to account for the money coming in throughout the plan year.

Earnings Allocation Methods - Example

- Traditional VS. All Transactions
 - Current year factor = 100%
 - Current year contribution factor = 50%

| Traditional Method | |
|-------------------------------|---|
| Beginning Balance Adjusted by | |
| Subtracting 100% of | Distributions In-service distributions ADP/ACP Corrective distributions Insurance premium payments Transfers Out, Forfeitures Loan Distributions |
| Adding 50% of | Contributions |

| All Transactions | |
|-------------------------------|---|
| Beginning Balance Adjusted by | |
| Subtracting 100% of | Distributions In-service distributions ADP/ACP Corrective distributions Insurance premium payments Transfers Out, Forfeitures Loan Distributions |
| Adding 100% of | Transfers In Loan Repayments Forfeiture Allocations |
| Adding 50% of | Contributions |

Posting Batches - Exercise

- In the Transaction menu:
 - Add a beginning balances batch from the link
 - Add contribution batches for each source run in the testing software
 - Post the above batches
 - Allocate earnings of \$5,000 to the pooled account & post the batch
 - Open the participant detail report with dates
- Run top-heavy test

Questions?





Thank you for attending the Mini Classroom Training.

Enjoy the remainder of the conference!

Continuing Education

Please – before you leave:

1. Sign in

- Verify your attendance
- Check the box if you want your attendance reported to IRS (for ERPA reporting and those with a PTIN only)

2. Pick up your certificate of attendance

- Certificates will not be emailed after the conference