

Best Practices ftwilliam.com Admin Software Testing

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Outline

- Data preparation
- Testing order
- Aggregation and disaggregation
- Tips for particular tests
 - Combined, ADP/ACP, General, Top Heavy

Data Preparation

- It's extremely important that the first year a plan is on ftwilliam, the calculations are correct
 - Eligibility & entry dates for all sources & disaggregation
 - Years of Service
 - HCE & Key employees
- All later years pull from this first year
- Pay attention to errors on the data scrub
- If there are errors in the calculations, re-upload the census & select Yes to reset eligibility dates



Data Preparation

- Before you add a new plan year end, make sure the prior year is clean & complete
 - On the testing side make sure that the data scrub and the top heavy test are both run
 - On the transaction side add an ending balance batch and post; run statements

Data Preparation

- When you add new year end you'll have an option to copy plan specs from document or prior year on admin
- If copying from the document, review general features/date formats/ accounts and sources
- Select a new core grid if last year was a conversion year
- On the transaction menu, create and post beginning balances from prior year transactions



Data Preparation

- Upload new plan year's census data
 - Run the scrub
 - Verify eligibility & HCE/Key reports
 - Make any corrections and re-run if necessary
 - Review allocation parameters
 - Run the allocation

Troubleshooting TH Min Contributions

- Top-heavy minimums not being calculated – make sure:
 - The plan is coded ‘Top-heavy as of determination date’
 - The option: ‘Design of plan automatically meets top-heavy requirement’ is coded No
 - There are key employees identified for the current year and they have made contributions
 - The ‘Profit Sharing’ source is active
 - The compensation fields are populated on the census

Troubleshooting TH Min Contributions

- Error message on the allocation results screen that the amount is not enough to satisfy top-heavy minimums
 - Make sure the plan is coded for the top-heavy contribution to go to non-keys only, OR
 - Increase the amount allocated
- Allocation is more than top-heavy minimums or is not allocating the top-heavy minimums to non-keys
 - Enter 'None' for the nonelective allocation type and the software will calculate the bare minimum required

Testing Order

- Do the tests in the order listed under ‘Select Task’
 - Combined test
 - ADP/ACP test
 - General Test
 - Top heavy test – requires transactions to be added & posted
- Correction of any failures requires rerunning all tests



Combined Test

- 415 Limit
- 410(b) Coverage
 - Manually correct a failure; document should address how
- Deduction Limit
- Compensation testing – need to indicate on the parameters screen when this is required

Combined Test Parameters

Combined Testing Parameters

Company: ABC Company Inc
Plan: Sample 401(k) Plan
Year End: 2012-12-31

Overrides

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Aggregation/Disaggregation Help

Divisions - Multiple Employer Plan

Testing Divisions used (e.g. Multiple Employer Plan): No 22

410(b)/401(a)(4)/ADP/ACP Testing

Testing Aggregation used: No 22

If Testing Aggregation is 'Yes', Testing Aggregation group ID: 22

If Testing Aggregation is 'Yes', Plan containing combined census: Other Plan 22

If Testing Aggregation is 'Yes', combine selected data for duplicate Participants: No 22

Disaggregation using otherwise excludable employees: Yes 22

If disaggregation entry date used: Semi-annual 22

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415 Testing

415 Aggregation required: No 22

Aggregation group ID: 22

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404 Deduction Testing

Override 25% deduction limit: No 22

Override percentage: 0.000000 22

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414(s) Compensation Testing

Compensation Testing required for Match: No 22

Compensation Testing required for Nonelective: No 22

Enter de minimis amount: 0.00 22

If Testing Aggregation used, also aggregate for 414(s): No 22

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- Set aggregation & disaggregation options
 - Applies to all tests
- Override deduction limit
- Indicate if compensation testing is required

ADP/ACP Test – Setting Parameters

- Testing parameters
 - Use two definitions of compensation
 - Methods to avoid failure
 - Failure corrections
- Prior year testing options
 - Generally only need to enter the first year; after that the numbers will carry forward

ADP/ACP Test – Setting Parameters

ADP ACP Parameters

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

Overrides

Override 402(g)/Catchup calculations: No 22

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410(b)/401(a)(4)/ADP/ACP Testing Options (Modify Responses in Combined Test)

Testing Divisions (Multiple Employer Plan)	No
Plan Aggregation	No
Disaggregation using otherwise excludable employees:	Yes

Testing Parameters

Testing Groups
Two definitions of compensation used: No 22

Methods to Avoid Failure
Borrow contributions from ADR: Yes 22
Create catchup: Yes 22
Recharacterize: No 22

Failure Corrections
Roth correction order for ADP failures: Last 22
Refund Income calculation: Safe harbor 22

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Prior Year Elections

ADP Prior Year Elections
ADRs of NHCEs: Prior year 22

ACP Prior Year Elections
ACRs of NHCEs: Prior year 22

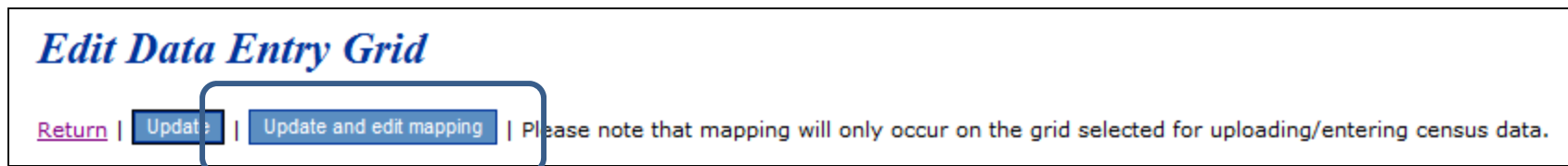
First Plan Year
First Plan Year as an Elective Deferral plan: No 22
ADP NHCE % for first Plan Year: 3% 22
ACP NHCE % for first Plan Year: 3% 22

[Review/Edit Prior Year Data](#)

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ADP/ACP Test – Setting Parameters

- Using two definitions of compensation
 - What compensation do you want to use?
 - Set on census grid
 - Check mapping



Check Grid Mapping

Update and Edit Mapping

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[Update](#)

Description: **Sample Census (comp and comp after elig)**

System Field	Grid Field	Custom map (Enter field names separated by + or -)
Service_EligibilityHours	On data entry grid	N/A
Service_EligibilityHoursInitial	Service_EligibilityHours ▼	
Service_VestingHours	Service_EligibilityHours ▼	
Service_ParticipationHours	Service_EligibilityHours ▼	
Compensation_ElectiveDeferral	Compensation_FromEntry1 ▼	
Compensation_Matching	Compensation_FromEntry1 ▼	
Compensation_MatchingSH	Compensation_FromEntry1 ▼	
Compensation_NonElective	Compensation_FromEntry1 ▼	
Compensation_NonElectiveSH	Compensation_FromEntry1 ▼	
Compensation_TopHeavy	Compensation_Statutory ▼	
Compensation_ACPTesting1	Compensation_FromEntry1 ▼	
Compensation_ACPTesting2	Compensation_FromEntry1 ▼	
Compensation_ADPTesting1	Compensation_FromEntry1 ▼	
Compensation_ADPTesting2	Compensation_FromEntry1 ▼	
Compensation_NonElectiveTesting	Compensation_FromEntry1 ▼	
Compensation_Statutory	On data entry grid	N/A
Compensation_Statutory_FromEntry	Compensation_FromEntry1 ▼	
Compensation_Statutory_PriorYear	None ▼	
Compensation_Statutory_CalYr	Compensation_Statutory ▼	
Compensation_ExclDeferrals	Compensation_FromEntry1 ▼	
Compensation_Deduction	Compensation_Statutory ▼	

[Update](#)

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ADP/ACP Test – Setting Parameters

Using prior year NHCE data

Prior year [??](#)
 Prior year [??](#)
 No [??](#)
 3% [??](#)
 3% [??](#)
[Review/Edit Prior Year Data](#)

ADP ACP Prior year

Company: **My Company**
 Plan: **My Company JN 2011 Demo Plan**
 Year End: **2011-12-31**
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Group			ADP		ACP		
Union/Non-Union	Comp	Dissagregation	NHCE Cnt	NHCE ADP	NHCE Cnt	NHCE ACP	Update
N/A		All	<input type="text" value="0"/>	<input type="text" value="0.00"/>	<input type="text" value="0"/>	<input type="text" value="0.00"/>	<input type="button" value="Update NHCE Result"/>
N/A		DisaggOver/ExclNHCE	<input type="text" value="0"/>	<input type="text" value="0.00"/>	<input type="text" value="0"/>	<input type="text" value="0.00"/>	<input type="button" value="Update NHCE Result"/>
N/A		DisaggUnder	<input type="text" value="0"/>	<input type="text" value="0.00"/>	<input type="text" value="0"/>	<input type="text" value="0.00"/>	<input type="button" value="Update NHCE Result"/>



ADP/ACP Test

- Test results
 - If using disaggregation need to select testing combination to correct (refunds)
 - Two tests – excludable and nonexcludable
 - One test – carve-out method
 - Refunds/catch-ups always available
 - QNEC may be available

Results Screen

ADP/ACP Testing Results													
Group		ADP					ACP						
Union/Non-Union	Disaggregation	NHCE Cnt	NHCE ADP	MAX	HCE ADP	ADP Result	NHCE Cnt	ACP Orig	From ADP	ADJ NHCE ACP	ADJ MAX	HCE ACP	ACP Result
N/A	DisaggOver	10	4.84	6.84	8.58	FAIL	9	1.92	0.00	1.92	3.84	3.50	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	10	4.84	6.84	8.58	FAIL	9	1.92	0.00	1.92	3.84	3.50	PASS

- When using disaggregation:
 - DisaggOver - shows the test results for the group who are not excludable
 - DisaggUnder - shows the test results for the group who do not meet statutory eligibility
 - ExclNHCE - shows the results excluding only the NHCEs not meeting statutory eligibility from the test.



ADP/ACP Test - Troubleshooting

- Disaggregation incorrect
 - Check disaggregation dates, e.g. on supplemental grid
- Contributions are not being pulled into the test
 - Check eligibility, compensation and overrides on the allocation parameters screen
- Note that if both ADP and ACP fail, QNEC will first correct the failed ADP test; excess then goes to correct the ACP test

QNEC - Troubleshooting

- QNEC option not available
 - Pro-rata formula selected going to all participants
 - Prior year testing used
 - Disaggregation used – need to change to not using disaggregation, then calculate the QNEC, allocate and re-run the ADP/ACP test
- QNEC allocation different from test correction screen



Retirement & Benefits Compliance
Customer Conference

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• Estimate only on correction screen

• When allocated will comply with plan

General Test

- Only required if the nonelective allocation formula is not considered 'Uniform'
 - New comparability is the most common non-uniform formula
- Three components to the test
 - Gateway test – need to pass
 - Rate Group test – need to pass
 - Average Benefits test – not needed if Rate Group test passes at 70%

General Test Parameters

General Test	
Type of General Test:	Cross Test ??
Testing Period:	Current Year ??
If Testing Period is "Account Balances" override calc of balances:	No ??
Override NRA:	No ??
Override NRA Age:	65 ??
Determination of age:	Last ??
Impute Disparity (May not be Yes if Cross Test and NRA < 55):	No ??
Interest:	8.50% ??
Actuarial Table:	UP-1984 ??
Override Gateway Test:	No ??

- Standard or Cross test
- Current year or account balances
- Imputed disparity
- Actuarial options

General Test Autosolve

Indicate Allocations Grp 1 - 10				
Group	Type	Percent	Dollar Amount	Autosolve Skip
Allocation Group 1:	Percent	10.0000	0.00	No
Allocation Group 2:	Percent	5.0000	0.00	No
Allocation Group 3:	Percent	3.0000	0.00	No
Allocation Group 4:	Percent	0.0000	0.00	No
Allocation Group 5:	Percent	0.0000	0.00	No
Allocation Group 6:	Percent	0.0000	0.00	No
Allocation Group 7:	Percent	0.0000	0.00	No
Allocation Group 8:	Percent	0.0000	0.00	No
Allocation Group 9:	Percent	0.0000	0.00	No
Allocation Group 10:	Percent	0.0000	0.00	No

Set Allocation Parameters Screen

General Test Results Screen

Rate Group Test

Rate Group Test: **FAIL**

Gateway Test

Override: No

Low NHCE %: 3.0000

High HCE %: 10.0000

Three to One: 9.0000

Five %: 3.0000

Gateway Test: **FAIL**

Average Benefit Test

Override: No

NHCE Ben %: 6.59

HCE Ben %: 6.59

Ave Ben %: 100.00

Average Benefit Test: **PASS**

Gateway (May produce overrides to Profit Sharing Eligibility which may require Plan amendment)

[Auto Solve Gateway - Increase NHCEs](#) | [Auto Solve Gateway - Decrease HCEs](#)

Rate Group

[Auto Solve Rate Group - Increase NHCEs](#) | [Auto Solve Rate Group - Decrease HCEs](#)

Top-Heavy Test

- Pulls from the transaction menu
 - Transactions must be posted
 - Key employees must be correctly identified
- Determines top-heavy status for the following plan year

Top Heavy Test Parameters

Top Heavy Menu

Company: My Company
Plan: My Company JN 2011 Demo Plan
Plan Type: 401(k)
Year End: 2012-12-31

Overrides

Top Heavy Determination Override: ??

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Top Heavy as of Determination Date

Plan is Top Heavy as of the Determination Date:	<input type="text" value="Yes"/> ??
Top Heavy asset percent for Determination Date year:	<input type="text" value="72.2391"/> ??
Top Heavy Balance this plan Key for Determination Date year:	<input type="text" value="1813652.92"/> ??
Top Heavy Balance this plan Non-Key for Determination Date year:	<input type="text" value="696972.87"/> ??
Top Heavy Balance other plan Key for Determination Date year:	<input type="text" value="0.00"/> ??
Top Heavy Balance other plan Non-Key for Determination Date year:	<input type="text" value="0.00"/> ??
Top Heavy Balance Key total for Determination Date year:	<input type="text" value="1813652.92"/> ??
Top Heavy Balance Non-Key total for Determination Date year:	<input type="text" value="696972.87"/> ??

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Top Heavy for Next Year

Plan is Top Heavy for next year:	<input type="text" value="Yes"/> ??
Transactions to use when calculating Participant balances:	<input type="text" value="All transactions other than ending balance"/> ??
Top Heavy asset percent for next year:	<input type="text" value="72.2391"/> ??
Top Heavy Balance this plan Key for next year:	<input type="text" value="1813652.92"/> ??
Top Heavy Balance this plan Non-Key for next year:	<input type="text" value="696972.87"/> ??
Top Heavy Balance other plan Key for next year:	<input type="text" value="0.00"/> ??
Top Heavy Balance other plan Non-Key for next year:	<input type="text" value="0.00"/> ??
Top Heavy Balance Key total for next year:	<input type="text" value="1813652.92"/> ??
Top Heavy Balance Non-Key total for next year:	<input type="text" value="696972.87"/> ??

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- Fields will populate when test is run
- Can override and indicate top heavy/not
- Can add balances from other plan

Troubleshooting Top Heavy Testing

- Test shows zero balances
 - Transaction batches not added, or added & not posted
 - Incorrect selection made for ‘Transactions to use when calculating participant balances:’ on the Set Top Heavy Test Parameters screen
 - Select ‘All transactions other than ending balance’ unless you have uploaded only ending balance transactions



Troubleshooting Top Heavy Testing

- Forfeiture account is included in the test
 - Give the forfeiture account a termination date prior to the first plan year in ftw, and/or a date of birth making them ineligible
- Distributions are not being added back
 - Historical in-service distribution amounts can be entered in a supplemental grid for the first plan year using the ftwilliam software. Year one is the current plan year
 - Distributions taken in later years will pull from the transaction menu – need to be coded as



Outline

- Data preparation
- Testing order
- Aggregation and disaggregation
- Tips for particular tests
 - Combined, ADP/ACP, General, Top Heavy

Questions



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