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Compliance Software
User Group Meeting

Meeting # 48 – January 9, 2018

AGENDA

- ADP/ACP testing parameters
- Reading the ADP/ACP test results
- Disaggregation of otherwise excludables
- Software updates and releases
- Open forum

ADP/ACP Testing Parameters

JANE NICKALLS

ADP TESTING PARAMETERS

▼ ADP/ACP Overrides	
Override 402(g)/Catchup calculations:	<input type="radio"/> Yes / <input checked="" type="radio"/> No
▼ 410(b)/401(a)(4)/ADP/ACP Testing Options (Modify R	
Testing Divisions (Multiple Employer Plan)	No
Plan Aggregation	No
+	
Disaggregation using otherwise excludable employees	No
▼ Testing Parameters	
Testing Groups	
Two definitions of compensation used:	<input type="radio"/> Yes / <input checked="" type="radio"/> No
Methods to Avoid Failure	
Borrow contributions from ADR:	<input checked="" type="radio"/> Yes / <input type="radio"/> No
Create catchup:	<input checked="" type="radio"/> Yes / <input type="radio"/> No
+	
Failure Corrections	
Roth correction order for ADP failures:	Last ▾
Refund income calculation:	Safe harbor ▾
▼ Prior Year Elections	
ADP Prior Year Elections	
ADRs of NHCEs:	Current year ▾
ACP Prior Year Elections	
ACRs of NHCEs:	Current year ▾
+	
First Plan Year	
First Plan Year as an Elective Deferral plan:	<input type="radio"/> Yes / <input checked="" type="radio"/> No
+	

ADP TESTING PARAMETERS

- × Aggregation and disaggregation of otherwise excludable employees
 - + These options are selected on the Set Combined Test Parameters screen – will apply to most testing
 - + Multiple Employer Plan and Division functionalities not available

ADP TESTING PARAMETERS

- × Testing Groups – option to use two different definitions of compensation
 - + May allow test to pass; example: e.g. compensation less deferrals and compensation including deferrals
 - + Need to add an additional compensation field to the primary census grid and adjust the mapping

GRID MAPPING

- ✘ Go to Edit Grid screen
- ✘ Add another compensation field, e.g. 'Compensation_FromEntry2'
- ✘ Click 'Update & Edit Mapping'
- ✘ Select the new field for Compensation_ACPTesting2 and Compensation_ADPTesting2
- ✘ Update

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

System Field	Grid Field	Custom
Service_EligibilityHours	On data entry grid	N/A
Service_EligibilityHoursInitial	<input type="text" value="Service_EligibilityHours"/>	<input type="text"/>
Service_VestingHours	<input type="text" value="Service_EligibilityHours"/>	<input type="text"/>
Service_ParticipationHours	<input type="text" value="Service_EligibilityHours"/>	<input type="text"/>
Compensation_ElectiveDeferral	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_Matching	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_MatchingSH	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_NonElective	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_NonElectiveSH	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_TopHeavy	<input type="text" value="Compensation_Statutory"/>	<input type="text"/>
Compensation_ACPTesting1	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_ACPTesting2	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_ADPTesting1	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_ADPTesting2	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_NonElectiveTesting	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_Statutory	On data entry grid	N/A
Compensation_Statutory_FromEntry	<input type="text" value="Compensation_Statutory"/>	<input type="text"/>
Compensation_Statutory_PriorYear	<input type="text" value="None"/>	<input type="text"/>
Compensation_Statutory_CalYr	<input type="text" value="Compensation_Statutory"/>	<input type="text"/>
Compensation_ExclDeferrals	<input type="text" value="Compensation_FromEntry1"/>	<input type="text"/>
Compensation_Deduction	<input type="text" value="Compensation_Statutory"/>	<input type="text"/>

ADP TESTING PARAMETERS

- × Methods to avoid failure
 - + Borrow contributions from ADR ('Shifting')
 - + Create catchup – moves \$ to catchup if available, rather than refunding
 - + Recharacterize (as after-tax) – used rarely; requires the after-tax source to be active

ADP TESTING PARAMETERS

× Failure Corrections

+ Roth correction order for ADP failures – indicates how Roth deferrals are refunded vis-à-vis pre-tax

× First, **Last** or Pro-rate

+ Refund income calculation

× **Safe Harbor**, Percent or Dollar

* Safe Harbor basis = Beg Bal + contributions

ADP TESTING PARAMETERS

× Prior Year Elections

- + Select 'Prior Year' – allow the screen to refresh
- + Numbers will pull from the prior year if the tests were run; otherwise you can add the numbers
 - × Need to populate all three rows if using disaggregation
 - × Add data and click 'Update'
- + For first year plan, if using 3%, select 'Prior Year'

Reading the Test Results

JANICE HERRIN

CORRECTIONS

Compliance Tasks - Expand All Applicable / Expand All / Collapse All Go To Top Print Package

Company: ABC Company Inc ID:
 Plan: 2017 Demo Plan JN ID:
 Year End: 12/31/2017

Errors:
None

Overrides:
None

[Clear All Participant Errors/Overrides](#)

Summary of Participant Errors/Warnings/Overrides
None

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	9	8.94	11.18	12.88	FAIL	9	1.90	0.00	1.90	3.80	3.00	PASS
N/A	DisaggUnder	3	3.63	5.63	0.00	PASS	3	1.96	0.00	1.96	3.92	0.00	PASS
N/A	ExclNHCE	9	8.94	11.18	12.88	FAIL	9	1.90	0.00	1.90	3.80	3.00	PASS

Test Fails
 Select testing combination to correct: ExclNHCE:1
Two tests:1

Select Test Option

- ✘ If no option is selected, typically will see error messages or no results on the test report

RESULTS USING DISAGGREGATION

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	9	8.94	11.18	12.88	FAIL	9	1.90	0.00	1.90	3.80	3.00	PASS
N/A	DisaggUnder	3	3.63	5.63	0.00	PASS	3	1.96	0.00	1.96	3.92	0.00	PASS
N/A	ExclNHCE	9	8.94	11.18	12.88	FAIL	9	1.90	0.00	1.90	3.80	3.00	PASS

Group	Shows Test Results For
DisaggOver	Those who are non-excludable
DisaggUnder	Those who do not meet statutory eligibility
ExclNHCE	All HCEs and non-excludable NHCEs (sometimes referred to as the 'Carve-out' method)

CORRECTIONS

- × Need to select how correction amounts should be calculated; using disaggregation, options are:
 - + One test - excludes NHCEs who do not meet statutory eligibility
 - + Two tests – those meeting statutory eligibility and those not meeting - need to pass both
- × Test results screen shows all three but corrections are calculated on the option you select
- × Using 2 definitions of compensation would produce similar options. Example: 2 definitions of comp and disaggregation of OEE would produce 6 result rows

RESULTS SCREEN – REFUNDS AND/OR QNEC

ADP/ACP Testing Results												
Group	ADP					ACP						
Union/Non-Union	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	12	7.62	9.62	12.88	FAIL	12	1.92	0.00	1.92	3.84	3.00	PASS

Test Fails
 Select testing combination to correct:

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

Report	Format
ADP ACP Test	
Estimate QNEC	

CALCULATING QNECS

- × QNEC is not available if:
 - + Prior Year testing used
 - + QNECs coded to go to all participants rather than NHCEs only and formula is pro-rata or fixed amount
 - × Okay if 'Targeted' ('Bottom-up') formula selected
- × Calculated QNEC amounts are estimates only – need to allocate the QNEC & re-run the tests

FTW CALCULATING ADP REFUNDS

- × ‘Leveling’ method steps
 - + Determine Adjusted ADR to pass test
 - + Determine Preliminary amounts to pass test
 - + Apportion amount between HCEs based on highest amount deferred – refund prelim amount
- × All or part is moved to catchup if possible
- × Actual refund in bold

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
Bennett, Elizabeth	111-11-1111	75000.00	17500.00	23.33	11.57	8822.50	3405.67	0.00	3405.67	3405.67	0.00	0.00
Bennett, Jane	111-11-1112	83000.00	7500.00	9.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dashwood, Elinor	111-11-1114	85000.00	17500.00	20.59	11.57	7665.50	3405.66	0.00	3405.66	0.00	3405.66	0.00
Dashwood, Mary	111-11-1115	265000.00	18000.00	6.79	0.00	0.00	3905.67	0.00	3905.67	3905.67	0.00	6000.00
Bennett, Henry	111-11-1116	265000.00	18000.00	6.79	0.00	0.00	3905.67	0.00	3905.67	3905.67	0.00	6000.00
De Bourgh, Catherine	111-11-1119	130000.00	18000.00	13.85	11.58	2946.00	3905.67	3000.00	905.67	905.67	0.00	3000.00
Gardiner, George	111-11-1122	150000.00	15000.00	10.00	0.00	0.00	905.66	905.66	0.00	0.00	0.00	0.00

FTW CALCULATING ADP EARNINGS

- ✘ Earnings calculated for refunds – posted transactions used; otherwise enter beginning balance, contributions & earning for each HCE and click Update Earnings button

ADP Refund Earnings						
Name	SSN	Beg Bal + Contrib	Earnings	Percent	Refund	Refund Earn
Bennett, Elizabeth	111-11-1111	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	0.0000	3405.67	0.00
Dashwood, Elinor	111-11-1114	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	0.0000	3405.66	0.00
Dashwood, Mary	111-11-1115	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	0.0000	3905.67	0.00
Bennett, Henry	111-11-1116	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	0.0000	3905.67	0.00
De Bourgh, Catherine	111-11-1119	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>	0.0000	905.67	0.00

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

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

ACP REFUNDS

- × Screen shot below shows preliminary refund calculation, actual refund amount and associated match.

ACP Test Result: FAIL								
Name	SSN	Comp	Contrib	ACR	Adj ACR	Prelim \$	Refund	Associated Match Forf
Fonda, Henry	111-11-1117	175000.00	14000.00	8.00	5.75	3937.50	3217.90	0.00
Gable, Clark	111-11-1118	255000.00	16650.00	6.53	5.75	1987.50	5867.90	0.00
Hepburn, Audrey	111-11-1120	150001.00	10000.03	6.67	5.75	1374.97	0.00	0.00
Hepburn, Katharine	111-11-1121	145000.00	11600.00	8.00	5.75	3262.50	817.90	382.50
Leigh, Vivien	111-11-1123	255000.00	18900.00	7.41	5.75	4237.50	8117.91	0.00
Stewart, Jimmy	111-11-1126	160001.00	12800.08	8.00	5.75	3600.02	2017.98	0.00
Wayne, John	111-11-1128	159000.00	12720.00	8.00	5.75	3577.50	1937.90	0.00

FTW CALCULATING ACP REFUNDS

- × Calculated separately from ADP refund
- × Same methodology as ADP refund calculation
 - + No catch-up or 402(g) limits
 - + User will need to apply vesting schedule
- × Associated Match – from ADP refunds – is displayed on this screen
 - + Make sure a match formula is entered on the Set Allocation Parameters screen

MORE ON ASSOCIATED MATCH

- × Associated match is match that a participant is no longer entitled to because of refunded deferrals
 - + Also referred to as ‘Orphaned Match’
- × Is NOT the non-vested portion of the ACP refund!
 - + Amount is forfeited; no vesting applied
- × ACP refund amounts are calculated first – refunds may take care of associated match

ASSOCIATED MATCH CALCULATION

- ✘ Step 1: Calculate ADP refund
- ✘ Step 2: Calculate ACP refund
- ✘ Step 3: Calculate Adjusted Deferrals
 - + Adjusted Deferral = original deferrals less ADP refund
- ✘ Step 4: Calculate Maximum Match permitted
 - + Apply the match formula to Adjusted Deferrals
- ✘ Step 5: Calculate Adjusted Match
 - + Adjusted Match = original match less ACP refund
- ✘ If the remaining match is greater than Max Match then the difference is Associated Match that is forfeited

CALCULATION EXAMPLE #1

- × Plan Matches 50% up to 8% of deferrals
 - + Catch-up Contributions (CUC) also matched
- × Mary HCE, age 55; total deferrals = \$22,000
- × Vincent HCE, age 45; total deferrals = \$18,000

Name	Comp	Deferrals	402(g) CUC	% Deferred	Match
Mary	\$270,000	\$18,000	\$4,000	8.148%	\$10,800
Vincent	\$150,000	\$18,000		12.000%	\$6,000

CALCULATION EXAMPLE #1

- ADP test fails; ACP test passes; Mary & Vincent both need to receive ADP refunds
- Adjusted deferral %
Martha - 7.778% & Ian - 9.667%

Name	Refund	ADP CUC	Final Refund	Adjusted Deferrals	Max Match	Original Match	Associated Match Forfeiture
Mary	\$3,000	\$2,000	\$1,000	\$21,000	\$10,500	\$10,800	\$10,800- \$10,500 = \$300
Vincent	\$3,000	0	\$3,000	\$15,000	\$6,000	\$6,000	0

CALCULATION EXAMPLE #2

- × Plan Matches 50% up to 8% of deferrals
- × Norma, HCE, age 45
- × ADP & ACP tests both fail
- × Norma needs to receive refunds

Name	Comp	Deferrals	% Deferred	Match
Norma	\$210,000	\$10,000	4.762%	\$5,000

CALCULATION EXAMPLE #2

ACP Test Fails		
Name	Match Refund	Adjusted Match
Norma	\$1800	$\$5000 - \$1800 = \$3,200$

ADP Test Fails					
Original 401(k) Deferral	ADP Refund	Adjusted Deferrals	Max Match	Adjusted Match	Associated Match Forfeiture
\$10,000	\$4,000	2.857%	\$3,000	\$3,200	$\$3,200 - \$3,000 = \$200$

HCE - USING TOP PAID GROUP ELECTION

- × Top paid group is the highest paid 20% of non-excludable employees – based on prior year compensation
- × The first year the plan is in ftwilliam.com the user needs to indicate who was in the TPG the prior year
 - + ‘Top Paid Grp Prior’ field on standard first year supplemental grid
- × After year 1 the software will determine who was in the TPG

HCE - USING TOP PAID GROUP ELECTION

- × The following may be excluded:
 - + Less than six months of service
 - + Scheduled to work less than 17½ hours per week, or less than six months per year
 - + Age under 21
 - + Employees in a collective bargaining unit
 - + Non-resident aliens with no U.S. source income
- × The software uses the ‘Employee Type’ and ‘Employee Class’ columns on the census to determine who should be excluded

HCE - USING TOP PAID GROUP ELECTION

- ✘ Need to indicate that TPG is being used and that permissible classes should be excluded under scrub parameters

▼ HCE KEY Overrides	
Override automatic determination of HCEs and Keys:	 <input type="radio"/> Yes / <input checked="" type="radio"/> No
Use top-paid group election:	 <input checked="" type="radio"/> Yes / <input type="radio"/> No
Use calendar year data election:	 <input checked="" type="radio"/> Yes / <input type="radio"/> No
In determining top-paid group for HCEs and officers for Top Heavy, exclude permitted classes:	 <input type="radio"/> Yes / <input checked="" type="radio"/> No

Disaggregation of Otherwise Excludables

JANE NICKALLS

HOW DISAGGREGATION WORKS

- × Disaggregation eligibility dates are calculated, or uploaded, for all participants
 - + Disaggregation met – the date the participant meets statutory eligibility; one year with 1000 hours and age 21
 - + Entry date - the next entry date under statutory rules – i.e. when someone becomes non-excludable
- × If the test is using the incorrect population, it's generally because dates are wrong.

WHY MIGHT DISAGG DATES BE WRONG?

- × Conversion plan – dates were not imported
- × Takeover plan:
 - + No hours on census
 - + Did not correct prior years of service for disaggregation
- × Add * ftw Override Initial Eligibility Grid on Other Imports screen to see the dates and correct & override if necessary
- × Or in the first year in ftw make sure the prior years of service for disagg are correct using the *ftw first year supplemental grid

ELIGIBILITY DATES GRID

UD Grid 1	* ftw First Year Supplemental Census Grid (a79ad3f) Upload with Map	▼	Edit Data Download Print Upload no Map
UD Grid 2	* ftw Override Initial Eligibility (58a0e0d) Upload with Map	▼	Edit Data Download Print Upload no Map

	Last_Name	First_Name	Disagg_Elig_Override	Disagg_Date_Met	Disagg_Entry_Date	Eligible_Disagg
	Help					
4	Burton	Richard	No ▼	02/01/2010	07/01/2010	No ▼
5	Davis	Bette	No ▼	01/01/2009	07/01/2009	No ▼
6	De Havilland	Olivia	No ▼	02/08/2001	07/01/2001	No ▼
7	Fonda	Henry	No ▼	02/04/2001	07/01/2001	No ▼
8	Gable	Clark	No ▼	02/01/2001	07/01/2001	No ▼
9	Hepburn	Audrey	No ▼	02/02/2001	07/01/2001	No ▼
10	Hepburn	Katharine	No ▼	01/31/2010	07/01/2010	No ▼
11	Leigh	Vivien	No ▼	01/31/2001	07/01/2001	No ▼
12	Monroe	Marilyn	No ▼	12/31/2008	01/01/2009	No ▼
13	O'Toole	Peter	No ▼	01/01/2113	07/01/2113	Yes ▼
14	Stewart	Jimmy	No ▼	02/05/2001	07/01/2001	No ▼
15	Tandy	Jessica	No ▼	01/01/2113	07/01/2113	Yes ▼
16	Tracy	Spencer	No ▼	02/01/2007	07/01/2007	No ▼
17	Wayne	John	No ▼	02/06/2001	07/01/2001	No ▼
18	Wood	Natalie	No ▼	07/31/2009	01/01/2010	No ▼
Totals:						

Software Releases; Tips of the Month

JANICE HERRIN

DISTRIBUTION MODULE

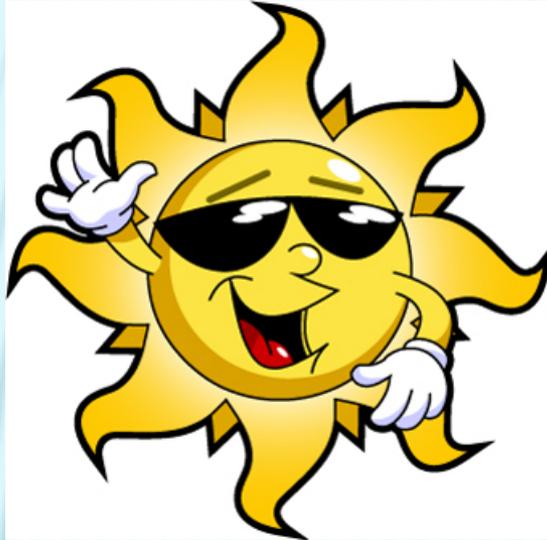
- × Released at the end of 2017; accessible
 - Compliance Menu>Transaction > Distributions
- × Setup in Sources and Accounts
 - + Indicate whether the plan uses pro-rata or ordering rule for processing across sources, and whether there are excluded sources for (default is pro-rata) :
 - × Fees
 - × In-service distributions
 - × Distributions
 - × Use same link for Loan processed in ftw Loan Module
 - + Do the same for the investment accounts if using

DISTRIBUTION MODULE

- ✘ To add a distribution, go to Transactions=>Distributions
 - + Click the 'Add New Distribution' link
 - + Select a participant and enter details of the distribution
 - + Add transactions
- ✘ Demo video and detailed written instructions were included in the announcement that went out January 2
 - + Contact support@ftwilliam.com if you need links to those materials
- ✘ We do plan further enhancements to this module; let us know your thoughts/suggestions

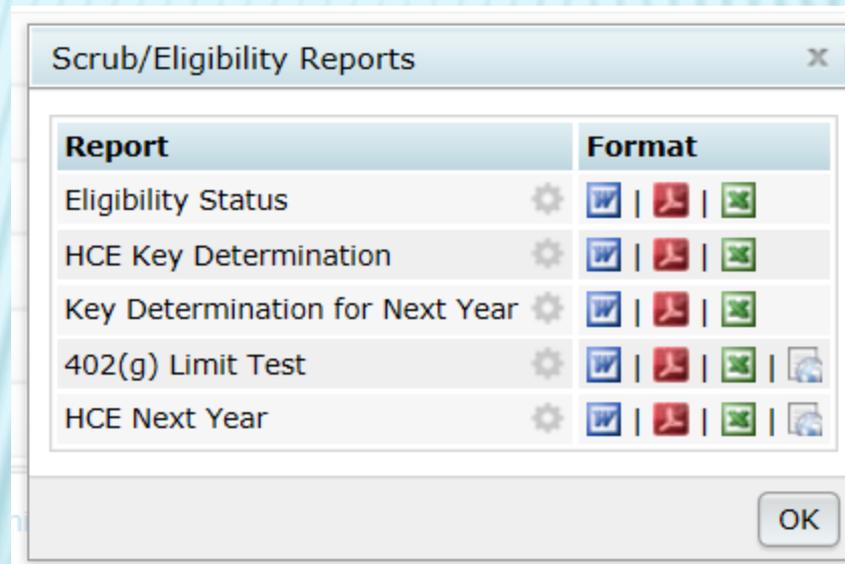
DISTRIBUTION MODULE

- × Demo of the Distribution module



TIP OF THE MONTH FROM JANICE

- ✘ Use the new HCE Next Year report to project would be HCE next year when or if TPG used.



TIP OF THE MONTH FROM JANE

- ✘ Editing the content of the standard reports & print styles
 - + Designated admins can make changes to the reports on the Global Print Parameters screen (Tools/Settings=>Print Parameters=>Global)
- ✘ To change print styles select a style from the Edit/Create Custom Styles and copy
 - + Select the new style on the plan level print setting screen
- ✘ To change report content, select a report from the Global Report Options drop-down and edit
- ✘ Changes made on the global screen affect all plans

OPEN FORUM

- × No regular meeting in February:
 - + Refresher webinar is on Tuesday, February 6, 2018
 - + No March meeting due to the testing deadline
 - + Next regular meeting will be April 3
- × Please share any ideas for future agenda items, questions, or suggestions using the Q&A or chat feature now, or contact support@ftwilliam.com
- × Thank you for attending and Happy New Year to all our customers!