



ftwilliam.com Administration Software User Group Meeting

Meeting # 23 – January 6, 2015

Agenda

- ADP/ACP testing parameters
- Reading the ADP/ACP test results
- Disaggregation of otherwise excludables
- Data scrub – what messages to pay heed to?
- Open forum



ADP/ACP Testing

Parameters

Janice Herrin

ADP Testing Parameters

[Home](#) > [Edit Company](#) > [Edit Plan](#) > [Admin](#) > ADP/ACP Parameters

ADP/ACP Parameters

Company: **My Company**
Plan: **JN 2013 Training Plan**
Year End: **2013-12-31**

Overrides

Override 402(g)/Catchup calculations: ??

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

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:	No

Testing Parameters

Testing Groups

Two definitions of compensation used: ??

Methods to Avoid Failure

Borrow contributions from ADR: ??

Create catchup: ??

Recharacterize: ??

Failure Corrections

Roth correction order for ADP failures: ??

Refund income calculation: ??

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

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: ??

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

ADP Testing Parameters

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



ADP Testing Parameters

- Testing Groups – use two different definitions of compensation
 - May allow test to pass; example: compensation less deferrals and compensation including deferrals
 - Need to add a compensation field and adjust mapping on census grid
- 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

= Default

- 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' – need to refresh the screen to enter the ADR & ACR
 - Numbers will pull from the prior year if the tests were run; otherwise add the numbers
 - Need to populate all three rows if using disaggregation
 - Add data a line at a time and click 'Update' for each
 - For first year plan, if using 3%, need to select 'Prior Year'



Reading the Test Results

Melissa Howard

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	4.55	6.55	8.71	FAIL	9	1.25	0.00	1.25	2.50	2.25	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	9	4.55	6.55	8.71	FAIL	9	1.25	0.00	1.25	2.50	2.25	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



Corrections

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	4.55	6.55	8.71	FAIL	9	1.25	0.00	1.25	2.50	2.25	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	9	4.55	6.55	8.71	FAIL	9	1.25	0.00	1.25	2.50	2.25	PASS

Test Fails
 Select testing combination to correct:

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

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

Calculating QNECs

- Not available if using Prior Year testing
- Only available if coded to go to NHCEs only
 - Unless 'Targeted' ('Bottom-up') formula selected
- Estimates only – need to allocate & re-run tests

Detailed Calculations

Name	Eligible QNEC	Compensation	QNEC Rate	QNEC Allocation
Bacall, Lauren	Yes	\$106000.00	2.16%	\$2289.60
Ball, Lucy	Yes	\$65000.00	2.16%	\$1404.00
Bogart, Humphrey	Yes	\$104000.00	2.16%	\$2246.40
Burton, Richard	Yes	\$55000.00	2.16%	\$1188.00
Davis, Bette	Yes	\$35000.00	2.16%	\$756.00
De Havilland, Olivia	Yes	\$85000.00	2.16%	\$1836.00
Monroe, Marilyn	Yes	\$25000.00	2.16%	\$540.00
Tracy, Spencer	Yes	\$45000.00	2.16%	\$972.00
Wood, Natalie	Yes	\$15000.00	2.16%	\$324.00
Total		\$535000.00		\$11556.00

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.

Hmmmmmm - Let's try something else | Allocate estimated QNECs

FTW Calculating ADP Refunds

- ‘Leveling’ method steps
 1. Determine Adjusted ADR to pass test
 2. Determine Preliminary amounts to pass test
 3. 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
- Earnings calculated for refunds – posted transactions used; otherwise enter beginning balance plus contributions, earnings & calculate

ADP Test Result: FAIL												
Name	SSN	Comp	Contrib	ADR	Adj ADR	Prelim \$	Refund Prelim	CatchUp ADP	Total Refund	<i>Elective Refund</i>	<i>Roth Refund</i>	CatchUp 402g Prev. used
Fonda, Henry	111-11-1117	175000.00	17500.00	10.00	6.86	5495.00	5400.81	4500.00	900.81	<i>900.81</i>	<i>0.00</i>	1000.00
Gable, Clark	111-11-1118	255000.00	12500.00	4.90	0.00	0.00	400.81	0.00	400.81	<i>400.81</i>	<i>0.00</i>	500.00
Hepburn, Audrey	111-11-1120	150001.00	11000.00	7.33	6.86	709.93	0.00	0.00	0.00	<i>0.00</i>	<i>0.00</i>	0.00
Hepburn, Katharine	111-11-1121	145000.00	16500.00	11.38	6.85	6567.50	4400.81	0.00	4400.81	<i>4400.81</i>	<i>0.00</i>	0.00
Leigh, Vivien	111-11-1123	255000.00	17000.00	6.67	0.00	0.00	4900.81	0.00	4900.81	<i>4900.81</i>	<i>0.00</i>	5000.00
Stewart, Jimmy	111-11-1126	160001.00	16500.00	10.31	6.86	5523.93	4400.81	4400.81	0.00	<i>0.00</i>	<i>0.00</i>	0.00
Wayne, John	111-11-1128	159000.00	16500.00	10.38	6.85	5608.50	4400.81	4400.81	0.00	<i>0.00</i>	<i>0.00</i>	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
 - ACP refund amounts are calculated first – may take care of associated match
 - Make sure a match formula is entered on the Set Allocation Parameters screen
 - Amount is forfeited; user should not apply vesting schedule



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

- Above screen shot shows preliminary refund calculation, actual refund amount and associated match.

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 date they would enter the plan under statutory rules – i.e. become 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 ensure the years of service are correct using the grid *ftw first year supplemental



Eligibility Dates Grid

UD Grid 1	* ftw First Year Supplemental Census Grid (a79ad3f) <input type="checkbox"/>	Edit Data Download Print Upload no Map Upload with Map
UD Grid 2	* ftw Override Initial Eligibility (58a0e0d) <input checked="" type="checkbox"/>	Edit Data Download Print Upload no Map Upload with Map

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

Data scrub – What Messages Should You Pay Heed To?

Janice Herrin

Errors vs. Warnings

- Numerous warning the first year in ftw
 - Mainly missing prior year data – system assumes ownership, compensation, hours etc. were the same in prior years
 - Can suppress all warnings
- Errors are trickier – most should be reviewed
 - Can suppress individual errors



Scrub Messages

- See list of errors & warnings - on the warnings tab:
 - Light blue = ignore first year in ftw
 - Light green = ignore if ppt's elig is correct
- Errors - if the is message correct and data does not need to be fixed then ignore.
 - E.g. 'Last status on census is a term before start of plan year update aborted'
 - First year in ftw – ignore unless the ppt has been rehired
 - Subsequent years - if ppt has not been rehired then you would want to remove from the census



Scrub Messages

- Messages will not clear, even if you correct the cause unless you either:
 - Re-upload the census, or
 - Click the 'Clear All Participant Errors/Overrides' link – this clears the messages
- Either way you will need to re-run the scrub



Open Forum

- Next meeting – Tuesday, February 10, 2015
 - Planning to discuss testing – ftw Combined Test & ftw General Test
 - No March meeting
- Ideas for future agenda items?
- Questions, thoughts, suggestions.....
- Thank you for attending and Happy New Year to all our customers!