

ftwilliam.com Compliance User Group Meeting

Tuesday September 18, 2018

Agenda

- * Required Minimum Distributions
- * The General Test
- * The Deduction Limit Test
- * Tips of the month
- * Wrap-up

Required Minimum Distributions

RMD Rules Refresher

- * Generally, participants must begin taking required minimum distributions when they reach 70½
- * Required Beginning Date is April 1 following the later of the calendar year in which a participant:
 - * Reaches age 70½, or
 - * Retires – this does not apply to >5% owners
- * Second distribution must be taken by December 31 of the same year

Examples – Non Owners

- * Jasper was born on February 8, 1948
 - * He turned 70.5 on August 8, 2018; he's already retired
 - * RBD is April 1, 2019
 - * Next distribution due by December 31, 2019
- * Hannah was born on January 28, 1946; she retired on October 16, 2018
 - * RBD is April 1, 2019
 - * Next distribution due by December 31, 2019
 - * (If Hannah was a >5% owner, her RBD would be April 1, 2017)

RMD Rules Refresher

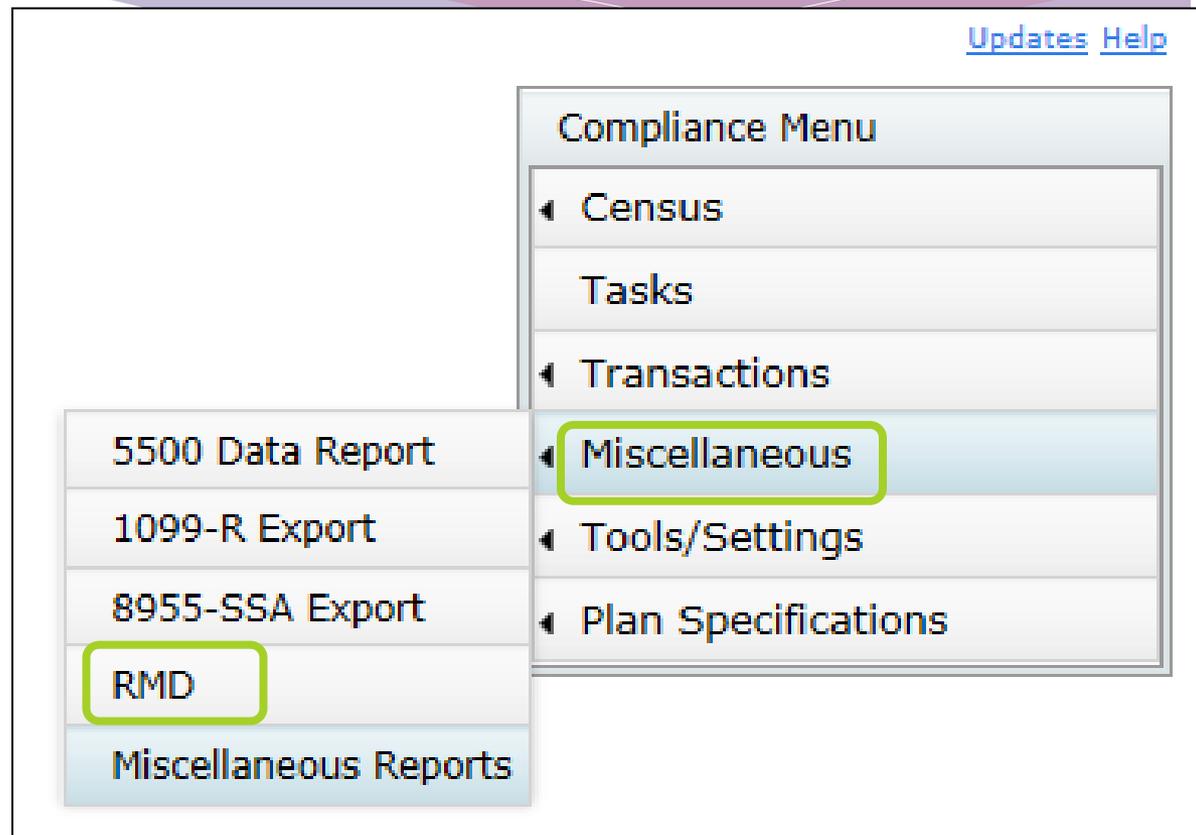
- * Amount of required distribution is the account balance at the end of the previous year divided by life expectancy
 - * Uniform Lifetime Table used in most cases
 - * Joint Life and Last Survivor Expectancy Table – if spouse is the sole beneficiary and is more than 10 years younger
 - * Beneficiaries use Single Life Table
- * Potential penalty for not taking the distribution is 50% of the distribution amount

RMD Functionality

- * The ftwilliam.com software will calculate required beginning dates and required minimum distribution amounts
- * Need census data AND transactions added & posted
- * Data scrub and statements (or one of the vesting reports) must be run
- * Global or plan by plan options are available

RMD Menu

- * Select RMD from the Miscellaneous section of the Compliance Menu
- * Screen will list all ppts who are 70.5 at PYE
 - * For the year after the calculation is done



RMD Menu

- * Select distribution year (defaults to current year) and report type – web page or CSV
- * Select This Plan or All Plans
- * First calculate, then run reports

Home > Edit Company > Edit Plan > Compliance > Required Minimum Distribution

Company:	ABC Company Inc	ID:	
Plan:	RMD Test Plan	ID:	
Year End:	12/31/2017		

Year:	2018 ▼
Format:	Web ▼
Calculate RBD/RMD:	This Plan ▼
RBD/RMD Report:	This Plan ▼

RBD = Required Beginning Date
RMD = Required Minimum Distribution

First calculate, then view report

Report	Format
RMD Notice	   

Participant	2018	2017	2016	2015	2014	2013
Fonda, Henry	Edit Data					
Gable, Clark	Edit Data					
Hepburn, Audrey	Edit Data					
Leigh, Arthur	Edit Data					
Presley, Elvis				Edit Data	Edit Data	Edit Data

Overriding Participant Data

Edit Participant - Master

Company:	ABC Company Inc
Plan:	RMD Test Plan
Participant:	Hepburn, Audrey

NOTE: The 'Override Calculation of Required Beginning Date' field must be set to 'Yes' to override a) The date the participant attained age 70-1/2, b) The RMD first distribution calendar year and c) the RMD required beginning date.

RBD Overrides	
Override Calculation of Required Beginning Date	No ??
Date the Participant attained age 70-1/2:	08/03/2013 ??
Enter the employee's date of death	??
Participant was a 5% owner in the plan year ending in the calendar year in which the Participant attained age 70-1/2:	No ??

Close

- * Click on the participant's name to override participant data including the required beginning date, ownership information and which life expectancy table to use

Overriding Financial Data

- * Click on the 'Edit Data' link to override distribution information including the end of prior year account balance & RMD Factor

Edit Participant - 2018 RMD

Company:	ABC Company Inc
Plan:	RMD Test Plan
Distribution Calendar Year:	2018
Participant:	Fonda, Henry

RMD Overrides

Override calculation of Participant account balance:	No ▼ ??
Participant total balance for purposes of calculating RMD:	803233.64 ??
Participant vested balance for purposes of calculating RMD:	803233.64 ??
Override calculation of Participant RMD Factor:	No ▼ ??
Factor used to calculate Participant RMD	20.3 ??

Close

Calculating RBDs & RMDs

Review error lists

- * Most common RBD error is a beneficiary DOB that's invalid or missing
- * Most common RMD error is zero balance

RBD/RMD Calculations x

Calendar Year: 12/31/2017

Required Beginning Date Errors

Participant Name	ERROR
RMD Test Plan - 12/31/2016	
Hepburn, Audrey	Invalid designated beneficiary birthdate:
Leigh, Arthur	Invalid designated beneficiary birthdate:

Required Minimum Distribution Errors

Plan Name	Participant Name	ERROR
RMD Test Plan,	Presley, Elvis	Zero balance as of 2016-12-31

Close

Print Report

- * Once you have run the RBD and RMD calculations you can print the reports
- * Plan level report is available as a web page, or a CSV file – select format on from Format drop-down on main RMD screen
- * Participant Notice will be available if someone needs an RMD

Plan Level RBD & RMD Reports

RBD/RMD Reports

Calendar Year: 12/31/2017

Required Beginning Date Report

Participant Name	SSN	Status	Override	70-1/2 Date	Death Date	5% Owner	Non 5% Term Date	Desig Ben Birth Date	1st Distribution Cal Year	Required Beg Date	Life Tables
RMD Test Plan											
Presley, Elvis	111-11-1125	Term	Yes	08/08/2009		No	02/19/2013	07/31/1954	2013	04/01/2014	Joint and Last Survivor Table

Required Minimum Distribution Report

Presley, Elvis	111-11-1125	Term		2016-12-31	No				No	23.8	0.00
Leigh, Arthur	222-22-2222	Active		2016-12-31	No		836,279.81	836,279.81	No	15.5	53,953.54
Hepburn, Audrey	111-11-1120	Term		2016-12-31	No		662,993.15	662,993.15	No	23.8	27,856.86
Gable, Clark	111-11-1118	Term		2016-12-31	No		1,217,812.59	1,217,812.59	No	19.4	62,773.84
Fonda, Henry	111-11-1117	Active		2016-12-31	No		768,725.70	768,725.70	No	21.2	36,260.65

Close

* Currently available as web page or CSV file

* Web page can be copied & pasted into Word – landscape orientation works best

Participant Notice

- * Designed for plan sponsor to give to impacted participants
 - * Generates for anyone required to take a distribution
- * Includes information on current & estimated future distribution amounts
- * Available in Word, PDF, Excel, or customizable format
- * Includes this year's distribution details and estimates of future distributions

FAQs on RMDs

- * How can I get the software to calculate an RMD for a non-owner who is not terminated?
- * If there's no RBD, the Edit Data link will not be available – the participant may still take a distribution but it's not an RMD

FAQs on RMDs

- * I have ending balances added on the transaction menu; why are the RMD amounts not calculating?
- * RMD amounts are calculated based on all transactions, just like the financial reports & participant statements. If you add a beginning balance batch and run one of the financial reports, the RMDs should calculate

FAQs on RMDs

- * Is there a way to run a report showing participants across all plans requiring an RMD?
 - * Yes, designated Admins will see the All Plans option as well as This Plan on the main RMD screen in any plan
 - * Select 'All Plans' rather than 'This Plan' to calculate & run reports on the main RMD screen
 - * Remember that the data scrub AND one of the financial or vesting reports both need to be run for each plan for the report to be accurate

Running the RMD Report Across all Plans

- * Before running the RMD report across all plans, do the following:
 - * Go to Tools/Settings=>Workflow to see the Workflow grid. This lists all plans on your account with the latest year-end added and you can see whether the scrub has been run
 - * Go to Miscellaneous=>Miscellaneous Reports and select one of the Vesting Export reports for all plans – this calculates vesting
 - * Only designated admins can run global reports

Testing – Deduction Limit & General Tests

Deduction Limit Test §404

- * Limit is generally 25 percent of the total compensation of plan participants
- * All employer contributions are included in the test
 - * Contributions funded by forfeitures are excluded
- * Compensation used includes all compensation paid to plan participants – only those benefitting under the plan
 - * Compensation includes contributions to 401(k) & welfare plans

Deduction Limit Test §404

- * Is an aggregate limit – tested on plan level not participant
 - * Individual participants may exceed the 25% limit so long as the limit is no more than 25% for the whole plan
- * Any excesses are not deductible to the employer and are subject to 10% excise tax
- * Deduction limit does not apply to tax-exempt organizations

Deduction Limit Test §404

▼ 404 Deduction Testing	
Override 25% deduction limit:	<input type="radio"/> Yes / <input checked="" type="radio"/> No
+	
Enter the amount of contributions funded by forfeitures as a positive amount:	<input type="text" value="0.00"/>
Enter the net amount contributions from other plans of the Employer:	<input type="text" value="0.00"/>

- * In the ftwilliam.com software the deduction test is run as part of the Combined Test
- * Parameters offer the option to override the limit (use with caution) and to enter forfeitures to be excluded from the test

General Test

- * The General Test is the nondiscrimination test for nonelective contributions
- * Can be run as a standard test (uses contribution allocation rates) or cross test (tests on benefits – projects contributions to NRA and uses EBARs)
- * Certain types of nonelective contribution formulas automatically satisfy the nondiscrimination requirements for nonelective contributions and do not need to pass the general test, e.g.:
 - * Pro-rata allocation formula
 - * Integrated allocation formula
 - * Age-weighted allocation formula

General Test – §401(a)(4) – Cross Tested Plan

- * Three components:

- * Gateway test – benefitting NHCEs must receive minimum gateway contribution
- * Rate Group test – must pass with a ratio percentage equal to or greater than the midpoint
- * Average Benefits test – not needed if the rate group test passes with a ratio percentage equal to or greater 70%

Gateway Test Steps

- * Step 1: Calculate the nonelective contribution percentage for each benefiting participant
- * Step 2: Check that each NHCE is receiving at least one third of what the HCE with the highest percentage contribution is receiving, or 5%, whichever is lower
 - * Note that if a participant is receiving any sort of nonelective contribution, e.g. SH NEC, top heavy minimum, they must be brought up to the gateway minimum, even if not eligible for profit sharing
 - * May require plan amendment to bring them in for PS

Rate Group Test Steps

- * Step 1: Determine Rate Groups
 - * Calculate each participant's benefit (allocation amount)
 - * Project the benefit to retirement based on NRA
 - * Calculate the annuity value of the projected benefit & divide this by compensation to get the EBAR
 - * Sort the list of participants by EBAR, from high to low
 - * Rate groups are determined by HCEs; each rate group includes all employees that have an EBAR that is greater than or equal to the HCE's rate

Rate Group Test Steps

- * Step 2: Test that each rate group satisfies the Ratio Percentage Test (at 70% or greater)
Or, if any rate group is less than 70%, go to step 3
- * Step 3: Test that each rate group satisfies the midpoint AND that the Average Benefit Percentage Test passes

Rate Group Test Report – ftw Software

EBARs

IN 2016 Demo Plan General Test - Rate Group Test 12/31/2016								
Non Excludable Employees								
Participant Name	SSN	HCE	EAR	Grp	NHCE Percent	HCE Percent	Ratio Percent	Result Midpoint
Bennett, Elizabeth	111-11-1111	Yes	18.98%	1	0.00%	14.29%	0.00%	FAIL
Bennett, Jane	111-11-1112	Yes	16.12%	2	0.00%	28.57%	0.00%	FAIL
Dashwood, Elinor	111-11-1114	Yes	12.62%	3	0.00%	42.86%	0.00%	FAIL
Wickham, George	111-11-1125	No	12.09%	4				
Smith, Harriet	111-11-1113	No	11.61%	4				
Steele, Lucy	111-11-1130	No	10.70%	4				
Hurst, Louisa	111-11-1126	No	7.72%	4				
Bingley, Caroline	111-11-1121	No	6.56%	4				
Darcy, Fitzwilliam	111-11-1118	No	6.56%	4				
Lucas, Charlotte	111-11-1123	No	6.56%	4				
Bingley, Charles	111-11-1120	No	5.57%	4				
Collins, William	111-11-1117	No	5.14%	4				
Ferrars, Edward	111-11-1127	No	4.36%	4				
Bennett, Henry	111-11-1116	Yes	2.30%	4	90.91%	57.14%	159.09%	PASS
Dashwood, Mary	111-11-1115	Yes	1.95%	5	90.91%	71.43%	127.27%	PASS
Gardiner, George	111-11-1122	Yes	1.82%	6	90.91%	85.71%	106.06%	PASS
De Bourgh, Catherine	111-11-1119	Yes	0.63%	7	90.91%	100.00%	90.91%	PASS
Ferrars, Robert	111-11-1129	No	0.00%	8				

Midpoint Percentage: 42.75%

Rate Group Test Report – ftw Software

EBARs

2018 Test Demo 5 General Test - Rate Group Test 12/31/2018								
Non Excludable Employees								
Participant Name	SSN	HCE	EAR	Grp	NHCE Percent	HCE Percent	Ratio Percent	Result Midpoint
Burton, Richard	***-**-4321	No	17.45%	1				
Bacall, Lauren	***-**-3791	Yes	17.41%	1	0.00%	0.00%	0.00%	
Hepburn, Katharine	***-**-3789	Yes	17.41%	1	9.09%	20.00%	45.45%	PASS
Davis, Bette	***-**-3798	No	6.56%	2				
Kelly, Grace	***-**-3795	No	6.56%	2				
Lennon, John	***-**-3788	No	6.56%	2				
McQueen, Butterfly	***-**-9999	No	6.56%	2				
Monroe, Marilyn	***-**-3796	No	6.56%	2				
Wood, Natalie	***-**-3797	No	6.56%	2				
Ball, Lucy	***-**-3799	No	5.14%	2				
De Havilland, Olivia	***-**-8888	Yes	5.12%	2	72.73%	30.00%	242.42%	PASS
Wayne, John	***-**-6666	Yes	4.78%	3	72.73%	40.00%	181.82%	PASS
Stewart, Jimmy	***-**-5555	Yes	4.74%	4	72.73%	50.00%	145.45%	PASS
Hudson, Rock	***-**-3333	Yes	3.59%	5	72.73%	60.00%	121.21%	PASS
Tracy, Spencer	***-**-3790	No	2.90%	6				
Hepburn, Audrey	***-**-2222	Yes	2.89%	6	81.82%	70.00%	116.88%	PASS
Fonda, Henry	***-**-4444	Yes	2.82%	7	81.82%	80.00%	102.27%	PASS
Bogart, Humphrey	***-**-3792	No	2.27%	8				
Gable, Clark	***-**-6789	Yes	1.70%	8	90.91%	90.00%	101.01%	PASS
Leigh, Vivien	***-**-1111	Yes	1.19%	9	90.91%	100.00%	90.91%	PASS
Presley, Elvis	***-**-7777	No	0.85%	10				
Midpoint Percentage: 45.00%								

Average Benefit Percentage Test Steps

1. Determine total EBARs (i.e. all contributions) for each nonexcludable employee
2. Determine each nonexcludable employee's EBAR
3. Determine NHCE average benefit percentage
4. Determine HCE average benefit percentage
5. Divide NHCE average benefit percentage by HCE average benefit percentage
6. If average benefit percentage is greater than or equal to 70%, Pass!

General Test – ftw Software

- * Scenario – ‘Fail’ Gateway and Rate Group
 - * Nonelective formula is **New Comparability**
 - * Testing on the benefits basis using ftw EARs (EBARs)
 - * The plan passes the Average Benefit test
 - * The system computes suggestions for passing the Gateway & the Rate Group test

Rate Group Test	
Rate Group Test:	FAIL at Midpoint

Gateway Test	
Override:	No
Low NHCE %:	3.000
High HCE %:	23.000
Three to One:	9.000
Five %:	3.000
Gateway Test:	FAIL

Average Benefit Test	
Override:	No
NHCE Ben %:	10.62
HCE Ben %:	10.98
Ave Ben %:	96.72
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

General Test – ftw Software

Changes to allocation groups - Increase NHCEs

Group 1	Percent	100.0000	100.0000	
Group 2	Percent	20.0000	20.0000	
Group 3	Percent	20.0000	20.0000	
Group 4	Percent	20.0000	20.0000	
Group 6	Percent	0.0000	0.83	View Changes

Please note that the corrections are approximate and that it may be necessary to run the solver more than once.

Please note that the cost estimates are based on the allocation amounts entered in the Allocations Parameters and not actual allocations. Actual allocations will be lower if the allocations are reduced to comply with sec 415.

[Revise allocations and re-run test](#)

[Back to Gen Test results](#)

Rate Group Test

Rate Group Test: **PASS at Midpoint**

Gateway Test

Override:	No
Low NHCE %:	3.000
High HCE %:	23.000
Three to One:	9.000
Five %:	3.000
Gateway Test:	FAIL

* Results of clicking the 'Increase NHCE' link for the Rate Group Autosolve

* Rate group test now passes but the gateway test is still failing

* Same options for that test

Tips of the Month

Tip of the Month #1

- * All communications that are sent from ftwilliam.com to our users can be found at:
 - * WK -> Support -> Email and Tech Updates ,or
 - * Click on the ‘View All’ link next to Updates on the home screen
- * Defaults to chronological order
- * Filter options for Subject, Date and Content

Tip of the Month #2

- * If participants need to receive a profit sharing contribution in order to reach the gateway minimum, the system will override their continuing eligibility for PS when you click 'Increase NHCEs'
- * Those overrides stay in place unless removed – may need to adjust manually – examples:
 - * Switch from Increase NHCEs to Decrease HCEs
 - * Plan changes percentage & don't need such a high percentage
- * Use * ftw Correct 401(b) Failure grid to add or remove override

Tip of the Month #3

- * If your census includes **Roth Contributions** you should do the following:
 - * Verify the plan document allows Roth
 - * Verify the Compliance Module Plan Specs are set for Roth and the Roth source is active
 - * Otherwise transaction batches and ADP refunds can be affected

Wrap-up

- * Next User Group meeting – Tuesday, November 6, 2018 – we'll do our usual end of year reminders session
- * No meeting in October due to the 5500 deadline
- * Please send any ideas for future agenda items, questions, thoughts or suggestions to support@ftwilliam.com
- * Thank you for attending!