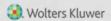
ftwilliam.com Compliance Module User Group Meeting

MEETING # 56 - JANUARY 8, 2019



AGENDA

- Recent software enhancements divisions
- ADP/ACP testing parameters
- Reading the ADP/ACP test results
- Disaggregation of otherwise excludables
- Wrap-up

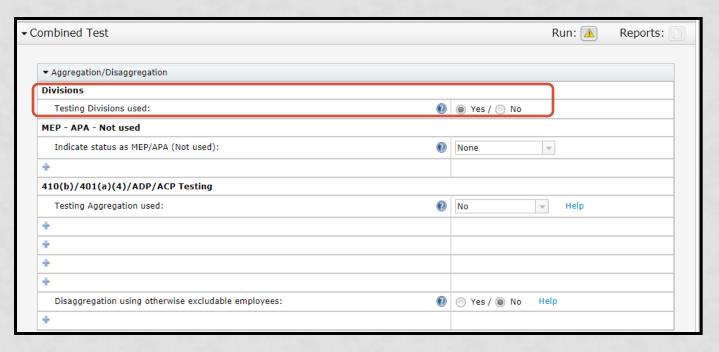


JANICE HERRIN

RECENT SOFTWARE ENHANCEMENTS

DIVISION FUNCTIONALITY - PHASE I

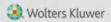
- The software can now be coded to use divisions
 - Indicate that you are using divisions on the Combined Test
 Parameters screen





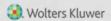
DIVISION FUNCTIONALITY

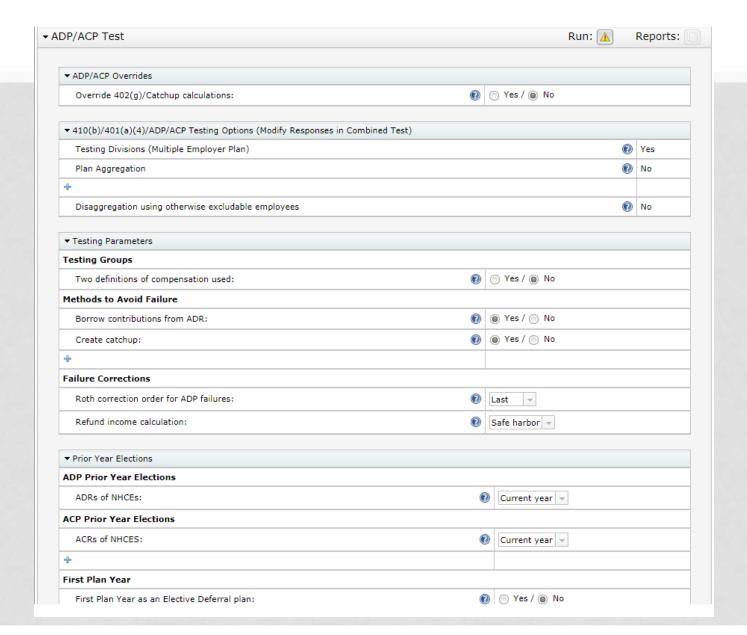
- Use the field R:DivisionCode on the census grid either the primary grid or a supplemental grid
- Most tests & reports will be split by division
 - See the communication that went out on December 19, 2018 for details
 - Additional reports & tests will be added in the future



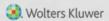
ANDY SCHOMMER ADP/ACP TESTING PARAMETERS

- Certain options are set on the Combined Test
 Parameters screen apply to most testing
 - Using divisions
 - Aggregation of two or more plans
 - Disaggregation of otherwise excludable employees
- MEP APA functionality not available





- 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
 - Add an additional compensation field to the primary census grid and adjust the mapping – contact support@ftwilliam.com if you need help with this



GRID MAPPING

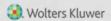
Update

- 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	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 `	7							
Compensation_ACPTesting1 Compensation_ACPTesting2		7 7							
. –	Compensation_FromEntry1	7 7							
Compensation_ACPTesting2	Compensation_FromEntry1 Compensation_FromEntry1	7 7 7 7							
Compensation_ACPTesting2 Compensation_ADPTesting1	Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1								
Compensation_ACPTesting2 Compensation_ADPTesting1 Compensation_ADPTesting2	Compensation_FromEntry1 Compen	Y							
Compensation_ACPTesting2 Compensation_ADPTesting1 Compensation_ADPTesting2 Compensation_NonElectiveTesting	Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 On data entry grid								
Compensation_ACPTesting2 Compensation_ADPTesting1 Compensation_ADPTesting2 Compensation_NonElectiveTesting Compensation_Statutory	Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 On data entry grid Compensation_Statutory	N/A							
Compensation_ACPTesting2 Compensation_ADPTesting1 Compensation_ADPTesting2 Compensation_NonElectiveTesting Compensation_Statutory Compensation_Statutory_FromEntry	Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 On data entry grid Compensation_Statutory None	N/A							
Compensation_ACPTesting2 Compensation_ADPTesting1 Compensation_ADPTesting2 Compensation_NonElectiveTesting Compensation_Statutory Compensation_Statutory_FromEntry Compensation_Statutory_PriorYear	Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 Compensation_FromEntry1 On data entry grid Compensation_Statutory None	N/A							

10

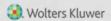
- Methods to avoid failure
 - Borrow contributions from ADR ('Shifting')
 - Create catchup moves \$ to catchup if available, rather than refunding
 - Recharacterize (as after-tax) used rarely; requires the after-tax source to be active



- 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
 - Options in red indicate the default setting

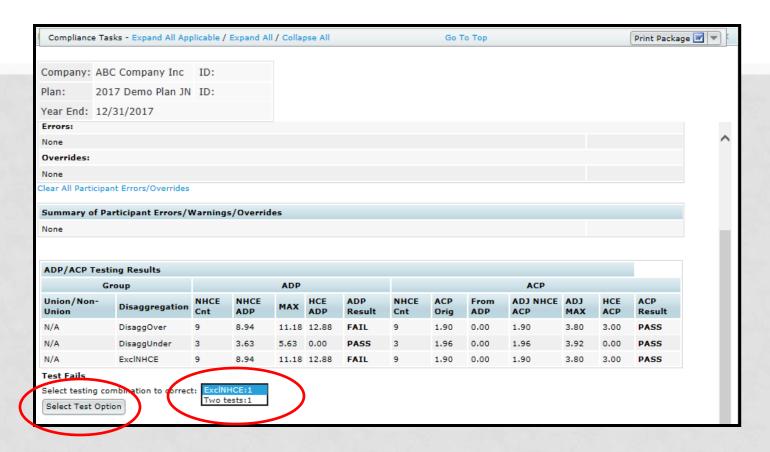


- Prior Year Elections
 - Select 'Prior Year' allow the screen to refresh
 - Numbers will pull from the prior year if the tests were run; otherwise you can add the numbers
 - Need to populate all three rows if using disaggregation
 - Add data and click 'Update'
 - For first year plan, if using 3%, select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



JANE NICKALLS READING THE TEST RESULTS

CORRECTIONS



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

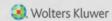
RESULTS USING DISAGGREGATION

ADP/ACP Testing Results													
Group					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	ExcINHCE	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
ExcINHCE	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 Testin	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: All:1 >

Select Test Option

Do Refunds/Calculate Catch-ups | Estimate QNECs

Report		Format
ADP ACP Test	♦	w 🧏 🗷
Estimate QNEC	∜	w 🛂 🗷

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

Name	SSN	Comp	Contrib	ADR	Adj ADR	Prelim \$	Refund Prelim	CatchUp ADP	Total Refund	Elective Refund	THE RESERVE TO SERVE THE PARTY OF THE PARTY	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

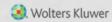
 Earnings calculated for refunds – posted transactions used; otherwise enter beginning balance, contributions & earning for each HCE and click Update Earnings button

ADP Refund Earnings									
Name	SSN	Beg Bal + Contrib	Earnings	Percent	Refund	Refund Earn			
Bennett, Elizabeth	111-11-1111	0.00	0.00	0.0000	3405.67	0.00			
Dashwood, Elinor	111-11-1114	0.00	0.00	0.0000	3405.66	0.00			
Dashwood, Mary	111-11-1115	0.00	0.00	0.0000	3905.67	0.00			
Bennett, Henry	111-11-1116	0.00	0.00	0.0000	3905.67	0.00			
De Bourgh, Catherine	111-11-1119	0.00	0.00	0.0000	905.67	0.00			

Update Earnings

Update ADP/ACP refund earnings with transaction data

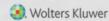
Note: Elective Deferrals and Roth will be combined for ADP Corrections



ACP REFUNDS

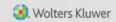
 Screen shot below shows preliminary refund calculation, actual refund amount and associated match

ACP Test Result: FA	AIL							
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



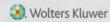
MORE ON ASSOCIATED MATCH

- Associated match is match that a participant is no longer entitled to because of refunded deferrals
 - Also referred to as 'Orphaned Match' or 'Hanging 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



- Plan Matches 50% up to 10% of deferrals
 - Catch-up Contributions (CUC) also matched
- Mary HCE, age 55; total deferrals = \$24,500
- Vincent HCE, age 45; total deferrals = \$18,500

Name	Comp	Deferrals	402(g) CUC	% Deferred	Match
Mary	\$275,000	\$18,500	\$6,000	8.91%	\$12,250
Vincent	\$150,000	\$18,500		12.33%	\$7,500

- ADP test fails; ACP test passes; Mary & Vincent both need to receive ADP refunds
- Adjusted deferral %Mary 7.818% & Vincent 10.333%

Name	Refund	ADP CUC	Adjusted Deferrals	Max Match	Original Match	Associated Match Forfeiture
Mary	\$3,000	0	\$21,500	\$10,750	\$12,250	\$12,250-\$10,750 = \$1,500
Vincent	\$3,000	0	\$15,500	\$7,500	\$7,500	None

- Plan Matches 100% up to 4% of deferrals
- Norma, HCE, age 45
- ADP & ACP tests both fail
- Norma needs to receive refunds

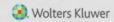
Name	Comp	Deferrals	% Deferred	Match
Norma	\$210,000	\$10,000	4.762%	\$8,400

ACP Test Fails	ACP Test Fails						
Name	Match Refund	Adjusted Match					
Norma	\$1800	\$8,400 - \$1800 = \$6,600					

ADP Test F	ADP Test Fails							
Original 401(k) Deferral	ADP Refund	Adjusted Deferrals	Max Match	Adjusted Match	Associated Match Forfeiture			
\$10,000	\$3,000	3.333%	\$7,000	\$6,600	\$7,000 > 6,600 No assoc. match forfeiture			

HCE - USING TOP PAID GROUP ELECTION

- Top paid group is the highest paid 20% of non-excludable employees – based on prior year compensation
 - >5% owners always have to be HCEs regardless of 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 first year supplemental grid
- After year 1 the software will determine who was in the TPG
- 'HCE Next Year (TPG)' report is available from the Scrub reports – this projects HCEs for next year assuming that the plan would be using TPG



HCE - USING TOP PAID GROUP ELECTION

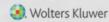
- The following may be excluded:
 - Less than six months of service
 - Scheduled to work less than 17½ hours per week, or less than six months per year
 - Age under 21
 - Employees in a collective bargaining unit
 - Non-resident aliens with no U.S. source income
- The software uses the 'Employee Type' 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:	•	
Use top-paid group election:		Yes / No
Use calendar year data election:		
In determining top-paid group for HCEs and officers for Top Heavy, exclude permitted classes:		O Yes / No

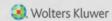


ANY SCHOMMER

DISAGGREGATION OF OTHERWISE EXCLUDABLES

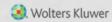
HOW DISAGGREGATION WORKS

- 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 semi-annual (most common); first day of the plan year (closest)
- 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)	✓ 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	Help	Help	Help	Help	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:							

WRAP-UP

- No regular meetings in February & March:
 - Refresher webinar scheduled on Tuesday, February 5, 2019
 - No March meeting due to the testing deadline
 - Next regular meeting will be Tuesday April 2
- 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!

