ftwilliam.com Compliance Module User Group Meeting

Meeting #67 May 12, 2020

Wolters Kluwer

Today's Agenda

- The Data Scrub
- Enhancements Released Recently
- Tips of the Month
- Wrap-up

The Data Scrub

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What the Scrub Does

- Calculates Eligibility – Initial & Continuing
- Calculates years of service
- Identifies Highly Compensated and Key Employees
- Maps hours & compensation
- Calculates certain limits, excesses and catchups
- Looks for inconsistencies in data and flags these in the error messages e.g. missing DOB, missing compensation, contributions for those not eligible

Scrub Error Messages and Reports

- ALWAYS review the scrub messages – they will alert you to issues with the census data
    - If the data is incorrect, there's the potential for incorrect allocations and testing
    - 402(g), plan limit excesses and catchup are flagged
- Also review all the scrub reports to check the results, e.g. eligibility & entry dates, HCE determination, key determination for this year and next year

Task Order

- Always run the run scrub first – it's the key to the rest of the tasks
  - If scrub results are correct then the data for the testing and allocations will be more accurate
- Continuing eligibility, and the reason are important, as they are used in the 410(b) coverage test
  - More on continuing eligibility later

Eligibility & YOS – ftw Calculating

- Eligibility & entry dates, and years of service are calculated based on the census data
- For the first year a plan is in ftw, certain assumptions are made
  - Hours, compensation and ownership were the same in prior years
  - Use the * ftw First Year Supplemental grid to adjust if this was not the case
  - Examples are:
    - Compensation was different in the prior year and affects HCE/Key determination – enter actual prior year compensation on the supplemental grid
    - Hours were different in prior years – adjust prior YOS on the supplemental grid

Using the First Year Supplemental Grid

...	First...	Prior YOS ED	Prior YOS MT	Prior YOS PS	Prior YOS Disagg	Prior YOS Vesting
...	Help	Help	Help	Help	Help	Help
Be	Beat...	4	4	4	4	3
Be	Eliz...	6	6	6	6	3
Be	Henry	18	18	18	18	3
Bir	Car...	3	3	3	3	3
Bir	Cha...	6	6	6	6	3
Co	Willi...	3	3	3	3	3
Da	Fitz...	5	5	5	5	3

- Adjusting Prior YOS

...	First...	H Inserv Distri...	TH Inserv Distri...	TH Inserv Distri...	TH Inserv Distri...	KEY EE D...	KEY EE Pr...	Prior YR Stat ...	Top Paid ...
...	Help	Help	Help	Help	Help	Help	Help	Help	Help
Be	Beat...	0.00	0.00	0.00	0.00	Yes	No	83,000.00	
Be	Eliz...	0.00	0.00	0.00	0.00	Yes	No	75,000.00	
Be	Henry	0.00	0.00	0.00	0.00	Yes	No	375,000.00	
Bir	Car...	0.00	0.00	0.00	0.00	No	No	60,000.00	

- Adding prior year inservice distributions – only works when added the first year
- Indicating former key employees
- Correcting prior year compensation
- Indicating TPG – input required the first year

Eligibility & Years of Service

- The first time someone is on the census, the same assumptions would be made
  - Typically they would be hired in that plan year
  - If not, you can make the same adjustments on the * ftw First Year Supplemental grid
  - A common problem is when someone is hired in late December, but does not receive compensation until the next year – adjust the prior year compensation to a very low amount, e.g. $1 (not zero)

Continuing Eligibility

- Initial eligibility is reached once a participant completes the age & service requirements
- Plan may also impose participation requirements to receive an employer contribution
  - More common with nonelective contributions than match
  - Not permitted for Safe Harbor contributions, except for HCEs
  - Typical requirements are to be employed on the last day and/or work 1000 hours
  - Coded in the Contribution section of Plan Specs

Interpreting the Eligibility Report

- Plan has LDR and 1000 hours requirement
- All three below have met initial eligibility

Birth Date	Hire Date	Class	Hours	Status	Source	O/R	Date met	Entry Date	O/R	Eligible	Reason
Green, Aaron					Compensation: $75,000.00						
12/06/1987	01/10/2012 2	Normal	1,000	Term	401(k):	No	01/10/2012	01/01/2016	No	Yes	N/A
					Match:	No	01/10/2012	01/01/2016	No	Yes	N/A
					NonElec:	No	01/10/2012	01/01/2016	No	Yes	Term exception
Green, John					Compensation: $75,000.00						
01/09/1983	02/02/2014 2	Normal	444	Term	401(k):	No	02/02/2014	01/01/2016	No	Yes	N/A
					Match:	No	02/02/2014	01/01/2016	No	Yes	N/A
					NonElec:	No	02/02/2014	01/01/2016	No	No - Excl	Term
Grey, Joseph					Compensation: $75,000.00						
11/29/1986	02/01/2013 2	Normal	1,000	Term	401(k):	No	02/01/2013	01/01/2016	No	Yes	N/A
					Match:	No	02/01/2013	01/01/2016	No	Yes	N/A
					NonElec:	No	02/01/2013	01/01/2016	No	No	Cont Elig

Interpreting the Eligibility Report

- Aaron Green is terminated but meets a term exception, e.g. disability

- John Green is terminated with fewer than 500 hours so is excludable for coverage – eligible status is 'No - Excl'; reason is 'Term'

- Joseph Grey is terminated with more than 500 hours – eligible status is 'No'; reason is 'Cont Elig'

  - Nonexcludable & not benefitting in coverage test

Identifying HCE and Key Employees

- These are also based on the current and prior year census data, unless you are overriding

- Make sure ownership, Family Group AND Family Group Relation columns are correctly completed in both years, and that compensation is correct

- Review both the HCE Key Determination and Key Determination for Next Year reports.

  - HCE Key Determination reflects key status as of the determination date, generally the last day of the previous plan year. In the 2019 plan year, this will be key employees on the 12/31/2018 top heavy test, which determines if the plan is top heavy for the 2019 plan year. This status also determines if the participant is a key employees for purposes of a 2019 top heavy minimum contribution

  - Key Determination for Next Year reflects key status based on 2019 census data. These key employees will be key on the 2019 top heavy test which determines if the plan is top heavy for the 2020 plan year and who will be key and non-key for purposes of a 2020 top heavy minimum contribution

Mapping

- What is mapping? It's the process of getting values in the census data to system fields without having all the compensation fields or all the hours fields in the grid, making it huge. Example - Plan compensation in the census grid is mapped to ADP & ACP comp

  - Hours and compensation are mapped when you run the scrub, based on the mapping set on the current primary census grid

Limits and Catchups

- The following limits are checked when the scrub is run:
    - 402(g) limit – report available
    - Plan limit excess
    - Catchup for 402(g) and plan limits
- Suggestion – add the * ftw Catchup and Excess grid on the Other Imports/Exports/Reports screen to see the detail of these

Enhancements Recently Released

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Recent Enhancements

- Made changes to the overrides in the Allocation section of the Tasks menu – these have been reworded and reordered to make them easier to understand

  - Clarified the use for the Override Employee Contributions to be matched

- Updated the error message triggered when running a New Comparability Profit Sharing allocation and the Allocation Type is Maximize rather than Specified

- Corrected issues with the source order on the financial reports

- Updated provisions for C.A.R.E.S. Act loans

- Several vendor updates

Overrides in the Allocation section of the Tasks menu

➡ **Old look**

➡ **New Look**

Old look table:

Scrub/Eligibility	Run:	Reports:
Allocation	Run:	Reports:

Allocation Overrides

Override Employee Contributions to be matched (requires entry of matched contributions in census):		Yes / ● No
Match allocation manual override:		● Yes / No
If Match allocation override, calculate true-ups:		● Yes / No
If Match allocation override, calculate match associated with ADP refund based on formula:		● Yes / No
Safe Harbor Match allocation manual override:		Yes / ● No
If Safe Harbor Match allocation override, calculate true-ups:		Yes / ● No
If Safe Harbor Match allocation override, calculate match associated with ADP refund based on formula:		● Yes / No
Nonelective allocation manual override:		Yes / ● No
If Nonelective allocation override, calculate true-ups:		● Yes / No
Safe Harbor Nonelective allocation manual override:		Yes / ● No
If Safe Harbor Nonelective allocation override, calculate true-ups:		Yes / ● No
QNEC allocation manual override:		Yes / ● No
If QNEC allocation override, calculate true-ups:		Yes / ● No
Calculation of points override:		Yes / ● No
Average benefits calculation override:		Yes / ● No
Is there another plan that must be taken into account for Average Benefits:		Yes / ● No

New Look table:

Allocation Overrides

Match allocation override, use amount in the census field:		Yes / ● No
If Match allocation override is Yes, calculate true-ups:		Yes / ● No
If Match allocation override is Yes, calculate match associated with ADP refund based on formula:		● Yes / No
Safe Harbor Match allocation override, use amount in the census field:		Yes / ● No
If Safe Harbor Match allocation override is Yes, calculate true-ups:		Yes / ● No
If Safe Harbor Match allocation override is Yes, calculate match associated with ADP refund based on formula:		● Yes / No
Nonelective allocation override, use amount in the census field:		Yes / ● No
If Nonelective allocation override is Yes, calculate true-ups:		Yes / ● No
Safe Harbor Nonelective allocation override, use amount in the census field:		Yes / ● No
If Safe Harbor Nonelective allocation override is Yes, calculate true-ups:		Yes / ● No
QNEC allocation override, use amount in the census field:		Yes / ● No
If QNEC allocation override is Yes, calculate true-ups:		Yes / ● No
Use alternative Employee Deferral amount in match formula (requires entry of matched deferrals in a different census field):		Yes / ● No
Calculation of points override:		Yes / ● No
Average benefits calculation override:		Yes / ● No
If Average benefits calculation override, enter percentage:		0.000000
Is there another plan that must be taken into account for Average Benefits:		Yes / ● No

Updated Error Message for New Comparability Allocation

▶ See message below if Maximize rather than Specified is selected

Order of Sources on Financial Reports

	SourceID	Suppress	Top Heavy	Source Name	Source External ID	Vesting	Vest Other	Contribution Source
☐	401K	No ∨	Yes	Elective Deferral	101;102;107;1	100% ∨	N/A	ElectiveDeferral
☐	MATCH	No ∨	Yes	Matching Contribution	104	100% ∨	N/A	Matching
☐	QMAC	No ∨	Yes	QMAC	106	100% ∨	N/A	QMAC
☐	QNEC	No ∨	Yes	QNEC	105	100% ∨	N/A	QNEC
☐	PS	No ∨	Yes	Profit Sharing	103	100% ∨	N/A	NonElective
		No ∨	Yes ∨			100% ∨	N/A	None
		No ∨	Yes ∨			100% ∨	N/A	None

- ➤ Sources will be ordered the same on all reports in the Transactions menu

- ➤ Note that if you want to change the order, just drag the SourceID to a different position – click the Update button before leaving the screen

C.A.R.E.S. Act Loans

- We have updated the ftw Loan Module to include the provisions allowed by the C.A.R.E.S. Act, i.e. a participant now has the option to borrow 100% of their vested balance, or $100,000, whichever is lower

- Detailed information is available in the email sent April 29

Vendor Updates

- Two of our original vendor uploads have been modified to allow the user to separate out the loan balances and activity from the other investments.

    - American Funds - Recordkeeper Direct platform

    - John Hancock – Signature platform

- To utilize the loan activity import feature, use investment accounts and add two accounts, one for the main activity (AccountID Vendor) and one for the loan activity (AccountID Loan); Type for both should be Cash

- Detailed instructions are in the email that was sent May 12, and on the Vendor files – file types & tips spreadsheet in the Compliance Help Center

- We are continuing to review and improve our vendor uploads for issues such as social security numbers with lead zeros, names with an apostrophe and for MAC users. Most recently we improved the uploads for T. Rowe Price and Principal

Tips of the Month & Wrap-up

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Tip of the Month #1

- ► Please check your users are up to date in the ftw software

- ► Former employees may potentially still have access to the software unless their accounts are deleted, or the details changed

Tip of the Month #2

- Unexpected catch up, excess or failing 415 test

  - Issue with compensation in census grid? Check to make sure each compensation column in the census grid is completed correctly

  - P-Term status? Check the eligibility status report to see if the participant has a termination date in a previous plan year without a rehire date

  - Catch-up Contributions allowed? Check the Contribution section of Plan Specifications

  - Fiscal year? Make sure the * ftw Primary 3 census grid, or equivalent, is used in the current and prior plan years

Wrap-up

- Next meeting - Tuesday, June 2
  - Planning to continue our Task series – Allocation is next

- Please share ideas for future agenda items - submit via chat now, or email to support@ftwilliam.com

- Stay safe and thank you for attending