

ftwilliam.com Compliance
User Group Meeting #69
July 7, 2020

Today's Agenda

- ▶ The Combined Test
- ▶ Tips of the Month
- ▶ Enhancements Released Recently
- ▶ Wrap-up



The Combined Test

What the Combined Test Includes

415 Limit

410(b)
Coverage Test

Deduction
Limit

Compensation
Test - need to
select in
parameters

Always run the
Combined Test
before the other
tests - especially
the ADP/ACP tests
and the General
Test!

Combined Test Parameters

- ▶ The following options can be selected:
 - ▶ Use divisions
 - ▶ Aggregate two or more plans for testing
 - ▶ Use disaggregation of otherwise excludables
- ▶ Please note that MEP - APA options are displayed but not active, so may not be selected
- ▶ The Help links on this screen go the Compliance Module User Guide for detailed instructions

▼ Aggregation/Disaggregation	
Divisions	
Testing Divisions used:	<input type="text" value="No"/> Help
MEP - APA - Not used	
Indicate status as MEP/APA (Not used):	<input type="text" value="None"/>
+	
410(b)/401(a)(4)/ADP/ACP Testing	
Testing Aggregation used:	<input type="text" value="Yes"/> Help
+	
If Testing Aggregation is 'Yes', Testing Aggregation group ID:	<input type="text" value="DEMO"/>
If Testing Aggregation is 'Yes', Plan containing combined census:	<input type="text" value="Other Plan"/>
If Testing Aggregation is 'Yes', combine selected data for duplicate Participants:	<input checked="" type="radio"/> Yes / <input type="radio"/> No
Disaggregation using otherwise excludable employees:	<input type="radio"/> Yes / <input checked="" type="radio"/> No Help
+	

Combined Test Parameters - Aggregation

- ▶ You need to add a new plan - generally known as the 'Master' plan to combine the data from all the component plans
 - ▶ Never use an actual plan as the master plan - the data will be deleted when you combine in the component plans
- ▶ Indicate Yes to use aggregation on each plan - more fields will open up
- ▶ Use the same Testing Aggregation Group ID for each component plan AND the master plan
- ▶ Indicate which plan is the master plan, i.e. will contain the combined census, by selecting This Plan; select Other Plan for each of the component plans

Using Divisions

- ▶ The Use Divisions drop down offers three options:
 - ▶ Yes, testing and reporting will both be done by division
 - ▶ Reporting Only, reports will separate participants by division and testing will be done across the whole plan
 - ▶ No
- ▶ Division functionality is a work in progress; currently we are working on allocations by division
- ▶ When should you use Divisions vs aggregating plans into a master plan?
 - ▶ If plan provisions are different, use aggregation
 - ▶ Otherwise you may be able to set up as one plan with divisions

Combined Test Parameters

▼ 415 Testing	
415 Aggregation required:	<input type="radio"/> Yes / <input checked="" type="radio"/> No
+	
▼ 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"/>
▼ 414(s) Compensation Testing	
Compensation Testing required for Match:	<input type="radio"/> Yes / <input checked="" type="radio"/> No
Compensation Testing required for Nonelective:	<input checked="" type="radio"/> Yes / <input type="radio"/> No
Enter de minimis amount	<input type="text" value="3.00"/>
If Testing Aggregation used, also aggregate for 414(s)	<input type="radio"/> Yes / <input checked="" type="radio"/> No

- ▶ Screenshot above shows options for the tests included in the Combined Test

Coverage Testing

- ▶ Initially runs the Ratio Percentage test
 - ▶ Looks at proportion of HCEs vs NHCEs covered - NHCEs have to be at least 70% of HCEs
- ▶ If the Ratio Percentage Test fails, the software runs the Average Benefits test

Sample Coverage Test Report

Participant Name	401(k) Benefit	401(k) Non-Excl	Match Benefit	Match Non-Excl	Non-Elec Benefit	Non-Elec Non-Excl
Bingley, Caroline	Yes	Yes	Yes	Yes	Yes	Yes
Bingley, Charles	Yes	Yes	Yes	Yes	Yes	Yes
Collins, William	Yes	Yes	Yes	Yes	Yes	Yes
Darcy, Fitzwilliam	Yes	Yes	Yes	Yes	Yes	Yes
Darcy, Georgiana	Yes	Yes	Yes	Yes	No	No
Ferrars, Edward	Yes	Yes	Yes	Yes	Yes	Yes
Ferrars, Robert	Yes	Yes	Yes	Yes	No	Yes
Hurst, Louisa	Yes	Yes	Yes	Yes	Yes	Yes
Lucas, Charlotte	Yes	Yes	Yes	Yes	Yes	Yes
Smith, Harriet	Yes	Yes	Yes	Yes	No	No
Steele, Lucy	Yes	Yes	Yes	Yes	Yes	Yes
Wickham, George	Yes	Yes	Yes	Yes	No	No
Willoughby, John	No	No	No	No	No	No
Count	12	12	12	12	8	9
Percent		100.00%		100.00%		88.89%

- ▶ Plan has immediate eligibility for deferrals and match, and one year/1000 hours for profit sharing, with LDR
- ▶ Three participants have not met initial eligibility for PS, so are excludable
- ▶ One participant has met initial eligibility for PS but terminated during the year; so he is non excludable, but not benefiting
- ▶ Ratio is still above 70% - $8 \div 9 = 88.89\%$ - so test passes

415 & Deduction Tests

- ▶ 415 Limit - Annual Additions
 - ▶ Looks at total contributions per participant, to verify they are within or equal to the annual limit
 - ▶ Report will indicate any excesses (Excess column), as well as any participants whose contributions were reduced due to the limit (Cap column)
 - ▶ The software won't calculate a contribution beyond the limit - test only fails if employer contributions are uploaded
- ▶ Deduction test
 - ▶ Checks that total employer contributions do not exceed 25% of total compensation
 - ▶ Compensation used is total of that for all participants benefiting under the plan
 - ▶ Amount of limit can be overridden
 - ▶ Other options in Combined Test section to enter any forfeitures used, and any contributions from any other plans maintained by the employer

Compensation Testing

- ▶ Required when the plan uses a non safe harbor definition of compensation
 - ▶ Select the primary census grid * ftw Primary 4 Census exclude certain comp
 - ▶ Three compensation columns on this grid:
 - ▶ Statutory comp - full year
 - ▶ Statutory comp from Entry - entry date compensation
 - ▶ Plan comp - compensation used for calculations
 - ▶ Test will generally compare plan comp with comp from entry
 - ▶ Results for HCEs can't exceed those for NHCEs by more than a de minimis amount

Compensation Testing

- ▶ Indicate if compensation testing is required in the Combined Test section for Match and Nonelective sources
- ▶ Enter a de minimis amount for each of those checked
- ▶ Screenshot of the compensation test summary page is below:

Non Elective Compensation Test		
Test Result: <i>FAIL</i>		
	<u>Non Highly</u>	<u>Highly</u>
	<u>Compensated</u>	<u>Compensated</u>
Count:	13.00	7.00
Average:	92.87%	98.41%
De Minimis:	3.00%	
Max Allowed:	95.87%	

Troubleshooting the Combined Test

- ▶ See the Combined Test section of the Troubleshooting Guide
 - ▶ Access from the Help Center, Compliance User Group Materials section - it's the first article listed

Tips of the Month

Tip of the Month #1

- ▶ How to update continuing eligibility status to pass the ratio percentage test
 - ▶ Use * ftw Correct 410(b) Failure grid on Other Import/Export/Report menu
 - ▶ Change Override Cont Elig indicator for the source to Yes
 - ▶ Change Continuing Elig election to Yes
 - ▶ Change Reason to N/A
 - ▶ Rerun tasks and the participant will share in the allocation and reflect as benefitting on the test

	LastName	FirstName	SSN	Override NE Cont Elig	NE Continuing Elig	NonElect Reason	Override MT Cont Elig	Match Continuing Elig	Match Reason
	Help	Help	Help	Help	Help	Help	Help	Help	Help
1	Beesly	Pam	999-99-1114	No <input type="checkbox"/>	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>
2	Bernard	Andy	999-99-1116	No <input type="checkbox"/>	No - Excl <input type="checkbox"/>	Init Elig <input type="checkbox"/>	No <input type="checkbox"/>	No - Excl <input type="checkbox"/>	Init Elig <input type="checkbox"/>
3	Flenderson	Toby	999-99-1118	No <input type="checkbox"/>	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>
4	Halpert	Jim	999-99-1111	No <input type="checkbox"/>	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>
5	Howard	Ryan	999-99-1120	No <input type="checkbox"/>	No <input type="checkbox"/>	Cont Elig <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>

Tip of the Month #2

- ▶ What impacts changes to the status of the tasks - scrub, allocation and the different tests?
 1. Any change to the parameters for that task
 2. For the data scrub, also:
 - ▶ Any change to plan specs or participant census data
 - ▶ Uploading a transaction file when new participants are added
 3. A task prior to the one in question is reset - the reset of any task will reset the ones listed after it

Enhancements Recently Released

New Actuarial Tables Added

- ▶ Two new actuarial tables added - 1983 IAM Female & Male (table a)
 - ▶ Original 1983 IAM tables are now labeled (basic); these labels reflect the names on the Society of Actuaries Mortality and Other Rate Tables site
- ▶ New tables may be selected in the age weighted section of the allocation parameters and in the general test parameters

Vendor Uploads

- ▶ Hartford-MFS-MM upload now has the option to include loan activity
 - ▶ In Plan Specifications, select the option to use investment accounts to track participant balances
 - ▶ Add a vendor account and a loan account
 - ▶ Detailed instructions are included in the note sent out on June 25
- ▶ We continue to review and improve our vendor uploads for issues such as social security numbers with lead zeros, names containing apostrophes, and for Mac users
 - ▶ These were most recently improved on the uploads for:
 - ▶ Transamerica
 - ▶ John Hancock Enterprise
 - ▶ The Standard
 - ▶ VOYA Post 2016
 - ▶ SRT

Revisions to Division Code Fields

- ▶ Based on user requests we have modified the Division Code field; the field will now accept up to 60 alphanumeric characters
 - ▶ None of the characters should be the single or double quotation mark
- ▶ The field in the system grid * ftw Divisions has been updated, but if you have added the field to a custom grid we suggest:
 - ▶ Edit the custom grid by removing the field, save the grid and then re-add the field
 - ▶ As long as you return the Division field to the same location in the custom grid, the grid ID should not change

New Census User Interface - Beta Demo

- ▶ The new UI isn't just about looks; it's designed to improve the user experience by adding new features and improving old ones
- ▶ A link to a short demo of the interface was emailed to users on June 12
 - ▶ Contact support@ftwilliam.com if you can't locate a copy
- ▶ We are in the Beta phase of this enhancement, so we are looking for feedback
- ▶ Our new Defined Benefit module will use the new UI exclusively
- ▶ The rest of Compliance will be updated to the new UI as well.

Demo of the New User Interface

Wrap-up

- ▶ Next meeting - Tuesday, August 4
 - ▶ Planning to continue our Task series – ADP/ACP task 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