


EGTRRA Defined Benefit Prototype Documents - Initial Release

September 16, 2010

Lanning Hochhauser
Ethel Myles-Henderson
Judy Ringlein-Dunn


1



HOUSEKEEPING

- Location for handouts (same as registration): www.datair.com/training.htm
- Webinar is being recorded and will be posted within a week of the live session (technology permitting).
 - To listen to the recording, register again
 - Once registered, recording will begin playing
- Problems with audio through your computer?
 - Close other programs (e.g. email)
 - Or, use audio panel to switch to phone
- Questions during the live session?
 - Submit questions through the Question panel
 - We'll answer during the session, as time allows
 - Others will be answered, shortly after and posted to website


2



Agenda

- EGTRRA Defined Benefit Highlights
- GUST vs. EGTRRA (Non-standardized Non-Integrated Long-form)
- EGTRRA Restatement Deadlines
- Interim Amendments
- Suggested Restatement Steps

3



EGTRRA Defined Benefit Highlights

First topic:
Reviewing the highlights of the DB changes from GUST to EGTRRA

4



EGTRRA Defined Benefit Highlights

- Contains language for plan qualification requirements based on:
 - The Internal Revenue Code as amended through the Gulf Opportunity Zone Act of 2005 (Pub. L. 109-135).
 - The 2006 Cumulative List of Changes in Plan Qualification Requirements.
 - All amendments made within the remedial amendment period, including the 2007 Interim Amendment (based on the 2006 Cumulative List).
 - Includes certain law changes under the Pension Protection Act of 2006 (Pub. L. 109-280), as described in Notice 2007-3, I.R.B. 2007-2 255).

5



EGTRRA Defined Benefit Highlights

- Added required changes for 412(e) plans (formerly 412(i)) from the revised LRM 42.
 - Must identify contract name and insurance company from which actuarial equivalence factors are being taken in D12a7.

6



EGTRRA Defined Benefit Highlights

- Added option G5b, allocation of residual assets at plan termination.
 - The IRS requested a definitely determinable formula.
 - It is insufficient to state that residual assets would be allocated to the participants in a nondiscriminatory fashion.
- Added option to make the one-year marriage rule optional to F4, Death Benefits.

7



EGTRRA Defined Benefit Highlights

- Modified, where possible, to resemble Defined Contribution plans in areas such as eligibility, entry, compensation and retirement ages. Intended to help administer DC/DB combos.
- Added many “must answer” edit checks and validations.

8



EGTRRA Defined Benefit Highlights

- Added parameters to blank fill-ins and warning notes. (IRS requirement for fill-in and “Other” options).
 - For example, in the “Hours with specified number of Months” eligibility requirement, we added the note “(cannot require more than 12 months).”

9



EGTRRA Defined Benefit Highlights

- The IRS did not approve certain GUST prototype provisions for the EGTRRA prototype.

These GUST prototype provisions are:

1. Election to substitute an outside Trust
2. Medical Corporation as a Legal Organization
3. One-time election not to participate
4. Compensation - separate inclusion / exclusion for 403(b) salary reductions

10



EGTRRA Defined Benefit Highlights

- GUST prototype provisions that do not appear in the EGTRRA DB prototype (continued):
 5. Mandatory Employee Contributions
 6. "Other" Mortality Assumptions
 7. Postponed Retirement 414(k) accounts
 8. Installments over a period selected by the participant


11



EGTRRA Defined Benefit Highlights

- See the GUST to EGTRRA comparison chart for suggestions for addressing each of the 8 provisions no longer available in the DB prototype.
- Also, a future release will contain a Multi-plan Operations report to help you identify affected plans.


12



EGTRRA Defined Benefit Highlights

- Ten (10) optional trusts have been approved for use with the Defined Benefit plans.
- Use of any other trust document causes loss of reliance on DATAIR's opinion / approval letters.


13



EGTRRA Defined Benefit Highlights

- The 10 approved optional trusts are:
 1. Capital Bank and Trust Company Trust Agreement (Rev. 11-04)
 2. Counsel Trust Company Directed Trustee Agreement
 3. First Trust Corp. Trust Agreement (Rev. 01-03)
 4. Frontier Trust Agreement (Rev. 07-03)
 5. Investors Bank and Trust Company Trust Agreement


14



EGTRRA Defined Benefit Highlights

- The 10 approved optional trusts are:
 6. Nationwide Trust Company Trust (Rev. 10-05)
 7. Schwab Directed Employee Benefit Trust
 8. TD AMERITRADE (2008)
 9. Trustlynx / Fiserv Trust (Rev. 12-04)
 10. Wilmington Trust (Rev. 12-03)


15



EGTRRA Defined Benefit Highlights

- **NEW!** adding two document formats:
 - Short-form Prototype
 - Based on Non-Standardized Non-Integrated Prototype
 - Short-form AA has 13 pages of options vs. 40 pages of options in a Long-form Adoption Agreement
 - Many provisions are set in the plan document. See the summary of Short-form provisions in release notes pp 19-21.
 - Volume Submitter with Adoption Agreement
 - Integrated & Non-Integrated Formulas in separate documents
 - More options than a Non-Standardized Long-form prototype in an AA format
- Watch for a webinar announcement for a session reviewing the highlights of these new document formats.

16




GUST vs. EGTRRA

Non-Standardized Non-Integrated Long-form

Next topic:
How to use the GUST vs. EGTRRA comparison chart

17




GUST vs. EGTRRA

Non-Standardized Non-Integrated Long-form

- Comparison chart outlines the differences between Non-Standardized Non-Integrated Long-form Prototypes
 - Many new provisions incorporate post-GUST qualification changes.
 - Be sure to review interim amendment selections and make consistent selections in the EGTRRA Adoption Agreement (AA).

18



DATAIR
EMPLOYEE BENEFIT SYSTEMS, INC.


GUST vs. EGTRRA

Non-Standardized Non-Integrated Long-form

Let's walk through a few items on the chart (release notes pp 13 – 14):

Description of Adoption Agreement Option	GUST	EGTRRA	Applicable Amendment	Action	Reason for Change
<ul style="list-style-type: none"> “Applicable Amendment” is the post-GUST amendment that might contain a more current plan provision than the GUST AA or checklist. Selections in Amendments do NOT carryover into the EGTRRA AA or checklist. You may need to revise the EGTRRA AA selection to match the provision indicated in the Amendment. 					

19




DATAIR
EMPLOYEE BENEFIT SYSTEMS, INC.

GUST vs. EGTRRA

Non-Standardized Non-Integrated Long-form

Description of Adoption Agreement Option	GUST	EGTRRA	Applicable Amendment	Action	Reason for Change
<ul style="list-style-type: none"> “Action” provides suggestions for steps to take for GUST AA items that do not carryover into an EGTRRA AA item. “Reason for Change” may help you explain to the employer why a plan provision must be amended. 					

20


DATAIR
 EMPLOYEE BENEFIT SYSTEMS, INC.


GUST vs. EGTRRA

Non-Standardized Non-Integrated Long-form

Let's review a few items on the chart (release notes pp 13 – 14):
 Medical Corporation (General) & Compensation (C1)

Description of Adoption Agreement Option	GUST	EGTRRA	Applicable Amendment	Action	Reason for Change
Removed "Medical Corporation" (GUST option 15.i).	Intro	Intro		On Sponsor Info tab, select a different "Form of Business" (e.g. "C Corporation" or "Other"). If using "Other," specify in item 15.i.	IRS requested change, as not all states recognize "Medical Corporation."
Incorporated 403(b) deferrals under 402(e)(3) option.	Cl	Cl		If 403(b) deferrals are included / excluded in the GUST AA, but the 402(e)(3) option is NOT selected as well, review Cl carefully and select the option that best fits the employer's objectives.	To reflect regulatory change in treatment of 403(b) salary deferrals.
Added "Compensation" options Cl2a5, Clb4, and Clc4 for EGTRRA, "Deemed Section 125 Compensation".	Cl	Cl	Deemed Section 125 Comp. Amendment		
Added "Compensation" option Clc3 for nonqualified unfunded deferred compensation plan payments as compensation.	Cl	Cl	2007 Interim Amendment		
Added option C3 for EGTRRA "Compensation Limits" under Section 401(a)(17).	-	C3	EGTRRA Amendment		

21


DATAIR
 EMPLOYEE BENEFIT SYSTEMS, INC.

EGTRRA Restatement Deadlines

Next topic: EGTRRA Restatement Deadlines

22



EGTRRA Restatement Deadlines

- Defined Benefit Plans
 - April 30, 2012
 - The last day for employers to adopt an EGTRRA pre-approved Defined Benefit plan
 - The last day for a pre-approved DB plan to file a timely application for a determination letter (DL) covering EGTRRA


23



EGTRRA Restatement Deadlines

- Determination Letter Requests for Defined Benefit Plans
 - The two-year window opened on May 1, 2010
 - DL submission must include the EGTRRA restatement


24



Interim Amendments

Next topic: Interim Amendments that must be adopted with the EGTRRA restatement


25



Interim Amendments

- Near the end of each calendar year, the IRS issues the Cumulative List of Changes in Plan Qualification Requirements (Cumulative List).
- Remember:
 - EGTRRA DB documents contain language for qualification requirements through the 2006 cumulative list, the 2007 Interim Amendment, and certain PPA changes (see slide #5)

26



Interim Amendments

<u>IRS Cumulative List of Changes</u>	<u>IRS Notice</u>	<u>DATAIR's Interim Amendment</u>
2008	2008-108	2009
2009	2009-98	2010

- The 2009, 2010, and subsequent Interim Amendments must be adopted in addition to the EGTRRA document.
- The EGTRRA documents do not contain these post-EGTRRA qualification requirements.


27



Suggested Restatement Steps

Next topic: Steps to help ensure an efficient EGTRRA Restatement

28




DATAIR
EMPLOYEE BENEFIT SYSTEMS, INC.

Suggested Restatement Steps

- An outline of suggested steps is included in release notes on pages 10 – 12.
- Let's review the first 9 (nine) steps:

29




DATAIR
EMPLOYEE BENEFIT SYSTEMS, INC.

Suggested Restatement Steps

Suggested Steps for Restating DATAIR DB Prototype Documents for EGTRRA

Step	Description	√
1.	Update DS License File (see instructions on page 9 of these release notes)	
2.	Update DS for EGTRRA DB Prototype release 1.20.0400 (web update)	
3.	Review list of GUST prototype provisions not included in EGTRRA prototypes. Prepare an action plan for each plan containing an eliminated provision. <small>(Note: An upcoming release will contain a "GUST DB Prototype Conversion Issues Report," to help you identify affected plans.)</small>	
4.	For each plan, review the required amendments occurring after GUST through the 2007 Interim Amendment. Be prepared to change the plan options within the EGTRRA restatement plan file to mirror the most recent provisions, found in the various amendments.	
5.	Open the plan, and on the Plan Amendments screen click the < Add New > command button, or double-click on <Add New> in the Amendment List.	

30

 **DATAIR**
EMPLOYEE BENEFIT SYSTEMS, INC.

Suggested Restatement Steps

6.	Enter a description and an effective date for the EGTRRA restatement. <ul style="list-style-type: none">• We recommend using the first day of the current Plan Year as an Effective Date for the EGTRRA restatement.• Then select <OK>.
7.	In the Plan Information area: <ul style="list-style-type: none">• Verify all the indicative information on the Sponsor and Plan Info tab• Make sure that the Plan Type and Sub Type are correct.• Under the Document Info tab select EGTRRA for the Version and verify the Document Type.
8.	Select <Save> on the toolbar, or from the Edit menu, select <Save Changes>, to add this amendment record to the plan file.
9.	Select the Adoption Agreement from the Folder View "Plan Documents" list. <ul style="list-style-type: none">• Be sure that edit checks are "On" (the green checkmark on the toolbar), and complete all "must answer" questions, as you work through the Adoption Agreement.• On the General Tab, indicate that this is an "Amendment and Restatement."• Change the selections from those that migrated from GUST, as necessary to reflect plan amendments (see step 3) and any other plan changes.• When you have finished reviewing / changing all plan provisions, verify that there are no remaining edit checks by clicking the green checkmark.• Select <Save> on the toolbar, or from the Edit menu, select <Save Changes>.

31

 **DATAIR**
EMPLOYEE BENEFIT SYSTEMS, INC.

Questions



32



Future Webinar Topics

- 2010 Defined Contribution Core diversification amendment & optional Paid Time Off amendment
- New Defined Benefit document types: a review of the short form prototype & VS-AA
- For DC plans: EACA & QACA stand-alone amendments & updates to automatic enrollment notices
- And more!

33



Resources

- DS/WIN Release Notes
- DATAIR Employee Benefit Systems, Inc.
 - Customer Support:
Email: support@datair.com
Telephone: (630)325-2600
 - DATAIR Discussion Forum: <http://www.datair.com/>
- Internal Revenue Service (IRS)
 - Retirement Plans Community:
<http://www.irs.gov/retirement/index.html>

34