

The DATAIR News

NEWS FOR THE DATAIR PENSION AND BENEFITS PROFESSIONAL

SUMMER 2001

From the Top

By Aaron Venouziou, President

IRS Notice 2001-42 amends the deadline for GUST amendments. Regardless of when we receive our last approval letter, the earliest end date of the Remedial Amendment Period will be December 31, 2002, as long as you certify your intent to amend each of your plans to one of our documents by December 31, 2001.

Since our initial submission last September, the IRS has periodically raised issues that have extended the process, such as 415 limits in DBs, Pairing Provisions in prototypes, and Model Amendments for EGTRRA, all of which have required changes to the submitted documents. Currently, there have been no approvals, and we are among a "group of 7" document sponsors who will be given top priority in the approval process.

While we wait, our programmers are busy perfecting RetireDocs System, our Document System for Windows. This will include a transfer system that will take as much information as possible from the RDS-DOS documents and drop them into the new adoption agreements. We are also working on ancillary forms for employee communication, including the SPDs, and hope to have all of those that are necessary for the amendment process available with the initial release of the system.

If you are using our Master and Prototype or Volume Submitter documents, you must amend your plans for GUST by the last day of the twelfth month beginning after the date on which we receive our last GUST opinion or advisory letter on any one of our plans. Note that this deadline is applied to the last letter we receive, even if it is a plan that you do not use. For instance, if our last letter is on the Volume Submitter Defined Benefit Plan, your deadline, on all of your plans, is twelve months from that letter, even though you do not have any DB plans, or even Volume Submitter plans. But in any event, that deadline will be no earlier than 12/31/2002.

DATAIR is proud to acknowledge the publishing of an article by our senior attorney, Lanning Hochhauser, in the May/June 2001 issue of ASPA's newsletter, *The Pension Actuary*. The article discusses in detail the timing of the upcoming Remedial Amendment Period for GUST, and we have put a link to the article in the "What's New" section of our website.

Also, be sure to check the "What's New" section of our website for new information as it becomes available on the approval of our documents and the release of the new software.



DATAIR Profile



Please join us in congratulating Cheryl Manson for recently passing the Illinois State Bar Exam. She comes to DATAIR as an Enrolled Actuary with over 20 years of experience in the employee benefit field. This August marks her one year anniversary with DATAIR.

Cheryl graduated from Colby College, Waterville, Maine, with majors in both mathematics and economics and started her career as an actuarial analyst for a major consulting firm. As a consulting actuary, she specialized in Defined Benefit plans of various sizes. In addition, she later broadened her experience to include a range of Defined Contribution plans and nonqualified retirement arrangements. Intrigued by the legal side of employee benefits, she graduated from Chicago Kent College of Law in Chicago, Illinois last year.

Having designed and built a new house, she is now busy unpacking, decorating, and landscaping and is active in her Homeowner's Association. If not at home, Cheryl is with her two dogs exploring the many forest preserves nearby. Her next project—to get her old MGB up and running again!

What's the best thing about DATAIR, Cheryl? "The variety of projects allows me to use both my actuarial and legal skills and provides me with more opportunities to learn and grow."



The Pension System, Pension Reporter for

By Kristina Kananen, QPA, APA

So, you've prepared the annual valuation in the Pension System, the company contribution has been made and you are ready to prepare the 5500 Series for the plan year. You go into Pension Reporter, open the plan for the current plan year and do an administrative update from the Pension System into Pension Reporter. You check to see that information was, in fact, transferred, fill in any additional information required and print the forms. Ah, another year finished.

Well, maybe. Are you sure that the information transferred from the Pension System has all the information needed for the coverage test?

The 410(b) test begins with the number of employees in the total work force of the employer. This number includes:

- § Employees of a Controlled Group of Corporations (Code Section 414(b)),
- § Employees of partnerships, proprietorships, etc. which are under common control (Code Section 414(c)),
- § Employees of an Affiliated Service Group (Code Section 414(m)),
- § Leased Employees, and
- § Self-Employed individuals.

In all likelihood, you have received data for and entered into the Pension System those employees that you believe will be eligible to enter the plan. However, if you do not address the employees under 414(b), 414(c) and 414(m), leased employees and self-employed individuals, your 410(b) test is incomplete and incorrect. Also, excluding seasonal employees who may have met the eligibility requirements, but are considered to have terminated may also adversely impact the accuracy of your test if they completed more than 500 hours during the year.

The DATAIR provision for leased employees and self-employed individuals is to code them in as you would any other employee eligible for the plan with the Excluded status code. The number of employees and their testing status can be entered on Screen 25 for 414(b), 414(c) and 414(m) employees who are not participating in the plan, but are covered under their own plans. Please note that if you are depending upon the average benefits test to pass 410(b), you must combine all employees from all members of the controlled or affiliated groups into one plan and run your testing from there. This is accomplished by copying the plan with the largest number of employees and copying into it the employees from the other affiliated service groups, being sure that contributions are entered into elements D064, D066 and D067 on Screen 31.

Once you have the employer's total workforce, you need to determine who can be excluded from the testing. You can exclude:

- § Any employee who has not satisfied the age and service requirements under the plan. If your plan has a one month eligibility requirement for the 401(k) portion of the plan and 12 month eligibility for the non-elective (Profit Sharing) portion of the plan, any employee who has completed one month of service must be included in testing the 401(k) disaggregated part. An exception is that you can choose to exclude from testing the otherwise excludable non-highly compensated employees as long as the otherwise excludable highly compensated employees are included in the not otherwise excludable employees. This can be indicated on Screen 26.
- § Any employee who is a participant in the plan but is not employed on the last day of the plan year and completed 500 or fewer hours during the year. Basically, this means any terminated participant with the equivalent of a one-year break in service in the current year.
- § Any employee who is a collectively bargained union employee and the coverage test is being run for a plan, or portion of a plan, which covers non-collectively bargained employees. A plan that covers only collectively bargained employees is considered to pass the 410(b) test. If collectively bargained and non-collectively bargained employees are included in the same plan, the collectively bargained employees would be disaggregated from the non-collectively bargained employees. When collectively bargained employees are not included in the plan, you can enter the number of collectively bargained employees on Screen 25, to achieve an accurate count for the 410(b) test. An employee who has dual status during the plan year (both union and non-union classification) cannot be excluded for purposes

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The DATAIR News strives to provide our customers with valuable and enjoyable information about DATAIR software, services, and the pension industry. Reader contributions are welcome.

Windows and The Schedule T

of testing the non-union portion of a plan under the annual testing method. If the snapshot testing date option is used and he performed no non-union hours on the snapshot date he is excluded. (The snapshot date is referenced in the plan document and should have been chosen because it is representative of the employee population.)

- § Any employee who is a nonresident alien for US tax purposes. If the employee's income is exempt from tax under a tax treaty, the employee is considered a nonresident alien.

Now that you have the total number of nonexcludable employees, the number of nonexcludable employees who are benefiting under the plan must be determined.

- § An employee is considered to benefit under a defined contribution plan if an employer contribution and/or forfeiture is allocated to his account for the year. If there was no employer contribution and no forfeiture allocation to a profit sharing plan, 410(b) is deemed to pass because no highly compensated employee benefited under the plan (exception b on page 1 of Schedule T). This pass only applies to the profit sharing portion of the plan however. If the plan provides for salary deferrals and perhaps a match, those disaggregated portions must pass 410(b) on their own.
- § Under a 401(k) plan an employee is considered to benefit under the disaggregated portion of the plan if he is eligible to make salary deferrals to the plan during the year, regardless of whether he does or not.
- § Under the matching portion of the plan, an employee is considered to benefit under the plan if he was eligible to make salary deferrals and would have been eligible to receive the match contribution if he had made salary deferrals to the plan. If the matching eligibility requirements are the same as the deferral eligibility requirements, then 100% of the nonexcludable employees would benefit under the plan (exception d on page 1 of the Schedule T). If the matching eligibility requirements are different, then the number of employees benefiting would only be those that would have received a matching contribution under the plan if they had made a salary deferral and those that had not met the matching eligibility requirements would be treated as not benefiting.
- § An employee is treated as benefiting in a defined benefit plan if his accrued benefit increased for the year. If the plan requires 1000 hours to credit accrual service to a participant and the participant completes less than 1000 but more than 500 hours, he is treated as not benefiting even though he has an accrued benefit under the plan.

If you have verified that you have accurate and complete information in the DATAIR Pension System, you can be sure that the transfer of data will be accurate into the Schedule T. If you find that you need to combine plans for your controlled or affiliated groups, do not transfer the 410(b) test from the combined Pension System file into Pension Reporter as this will overwrite the census information on the 5500, Items 6 and 7. It is better to print the 410(b) coverage test from the system and enter the numbers by hand.

Should you decide to make manual adjustments to the 410(b) Coverage test, when you enter information on lines 4c1 thru 4c6, the Pension Reporter System will calculate the ratio percentage for you. The formula for

the ratio percentage is the non-HCE ratio divided by the HCE ratio where:

- § The Non-HCE ratio percentage is calculated as the number of non-highly compensated employees benefiting divided by the total number of nonexcludable non-highly compensated employees.
- § The HCE ratio percentage is the highly compensated employees benefiting divided by the total non-excludable highly compensated employees.

Many clients have assumed that they need only divide the number of benefiting non-HCEs by the number of benefiting HCEs to determine the ratio percentage.

In summary, before printing your final 410(b) test from the Pension System, ask yourself these questions:

- Are you sure you have included all employees of the employer?
- Are there leased employees who must be included in your 410(b) calculation?
- Is the plan sponsored by a member of a controlled group or affiliated service group? Are employees of other members of the group included in your test?
- Are there any self-employed individuals who must be counted?
- Are there seasonal employees who may have completed the eligibility requirements, but because the plan sponsor considers them terminated at the end of the plan year, no data is provided to you about them?
- Do you have any dual status collectively bargained employees?

Remember, incomplete data in means incomplete data out.



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ROUTE TO:

Did You Know?



Did you know that the "Business code" referenced on the Form 5500, item 2d directly corresponds to the NAICS field on the Sponsor Info screen in PRWin's database? The 2000 5500 instructions for item 2d (page 14) refers the reader to the Codes for Business Activity list (beginning on page 59). The first paragraph of the Codes for Principal Business Activity refers to the North American Industry Classification System (NAICS). If you complete the NAICS field on the Sponsor Info screen, item 2d on the 5500 and fields on any other forms requiring this information will automatically fill with the 6-digit number. Because the information is expected to be in the core database, Item 2d does not carry over from the 1999 forms.

Training Schedules

If you have not had the opportunity to learn the basics of pension administration, join us at our Westmont office or in Denver for step-by-step systems training:

Westmont Location

-  September 10-14
-  November 12-16
-  December 3-7

Denver, CO

September 5-7
 Marriott Denver Airport at Gateway Park
 16455 East 40th Circle, Aurora, CO
 303-371-4333

For more information, contact our Training Department or visit our website at www.datair.com.

Current Software Versions



PE Pension Administration	3.14	PA Plan Accountant.....	2.03
PR/WIN Pension Reporter.....	1.06	QP Qualified Plan Distribution.....	1.52
RD Retirement Plan Doc.....	1.41	FA FAS 132 Reporting	2.01
CA Cafeteria Administration	4.53	PT Participant Term. Calc	1.51
CD Cafeteria Plan Document	1.23a	DE Data Entry & Review	1.13a
CM Client & Task Manager	1.03	DV DATAIR Voice.....	1.01