

The DATAIR News

WINTER 2000

News for the DATAIR Pension and Benefits Professional

Pension Reporter for Windows

By Aaron Venouziou

We are proud to introduce the Pension Reporter for Windows. This system, which completely replaces the DOS-based Pension Reporter, features a graphic interface of each government form you will need to complete your annual reporting to the IRS, DOL and PBGC. Utilizing the same relational database as the Client and Task Manager, the Pension Reporter for Windows allows you to see the actual form on-screen. Basic plan and sponsor information stored in the database is pulled automatically into the relevant fields of each form you select. Edit checks, internal math, descriptive checklists, and form logic make the process of completing each form fast and easy.

The system uses 32-bit architecture and Microsoft® Access™ to run smoothly on Windows 95/98/NT platforms – both stand-alone and Local Area Network (LAN) – and can be used to generate pension and cafeteria government forms, schedules and reports for annual reporting (5500 series and PBGC), distribution reporting (1099-Rs and 945s), and qualification & termination (5300 series). Once you complete the form you can print it to hard copy or, where available, create an electronic file.

We currently have the Pension Reporter for Windows in Beta-testing with numerous users and we anticipate a general release as soon as the Department of Labor approves our version of their new 5500s for 1999. For more information on the status of those forms, please read Gary Saake's article on the EFAST program in this issue.

The Pension Reporter for Windows will contain three packages. One for the Annual Reporting, another for the Distribution Reporting, and a third for the Qualification and Termination Reporting. Unlike our competitors, our fee structure will be based on the number of plans for which you are reporting, not the number of workstations on which the system is installed. For more information, please call your Sales Representative.

DATAIR Profile

By Laurie Brophy



Introducing the new Mr. & Mrs. Mark Hupp. Wedding bells were ringing this past July 10th for Kathie Driscoll, DATAIR's Controller. After exchanging vows and celebrating with family and friends in a traditional church ceremony and reception, the newlyweds honeymooned in Ballyvaughan, Ireland.

Upon returning from the 'auld sod', Kathie resumed her responsibilities of managing administration, overseeing receivables and payables, and preparing financial statements and analyses.

Prior to joining DATAIR in December of 1997, Kathie was a floor broker at the Chicago Stock Exchange for seven years. Ready for a change, Kathie opted for a slower paced environment where she worked as a controller for a software re-seller, which made the move to DATAIR a natural fit.

While settling into married life, Kathie maintains her daily regimen of running 5 miles every night with her two faithful companions (sorry, Mark) Blitzen and Maggie No. 9, her dogs.

What's most notable about working at DATAIR? Kathie says, "I appreciate how Aaron and Andy trust our professional abilities to "get the job done"—that doesn't happen in most companies."

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••••• Did You Know...

- ...that you can
- now receive email
- notification when-
- ever a new soft-
- ware update is
- posted on our
- web site? Register
- by going to the
- Software Updates
- page of our web
- site at www.datair.com.

Phase-out of 415(e) Multiple Plan Limits

The Small Business Job Protection Act (SBJPA) repealed the combined individual limit under 415(e) for participants under both a defined contribution plan and a defined benefit plan effective for plan years beginning after 12/31/1999. Also, conforming amendments were made to repeal Code Sec. 416(h) which provided special limitations on Top Heavy plans based on the Sec. 415(e) calculations.

As of 1/1/2000, only the following limits apply:

- Sec. 415(b) for defined benefit plans: a benefit of the lesser of \$130,000 annually or 100% of the 3-year average compensation, and
- Sec. 415(c) for defined contribution plans: an annual contribution of the lesser of \$30,000 or 25% of compensation.

Example:

Jane, a business owner has compensation of \$160,000. The maximum contribution to her money purchase (defined contribution) plan is \$30,000. It is calculated that she can contribute an additional \$70,000 to a defined benefit pension plan to fund a benefit of \$130,000.

However, we still have Code Sec. 404(a)(7), which limits the deductions when we have a combination of defined benefit and defined contribution plans to the greater of 25% of compensation or the amount needed to satisfy the minimum funding standard account (DB limit). It takes a little careful ingenuity and something called the "flip-flop" method to contribute the maximum to both plans and still be able to take the deduction.



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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.

- To accomplish the "flip-flop" method, the timing of the employer contribution must be coordinated with the filing of the corporate income tax return. Contributions should not be made before the due date of the tax return for the prior year [Treas. Reg. 1.404(a)-14(e)(1)(ii)]. Employers should not apply for extension, nor make contributions after the due date for the minimum funding standard account (DB) or later than 30 days after the due date of the corporate income tax return (DC) . [1.415-6(b)(7)(ii)]. Note the following design considerations:

DESIGN CONSIDERATIONS:

- A. Assume Jane must contribute \$30,000 per year to her defined contribution (DC) plan and that the required deposit for the defined benefit (DB) plan is \$70,000 per year. Both plans were established effective 1/1/2000 and the limitation year is 12/31.
 1. Before 3/15/2001, she contributes \$30,000 for the DC plan; this is her deduction for the year 2000.
 2. After 3/15/2001, but before 9/15/2001, she contributes \$70,000 to fund the DB plan for the year 2000. Before 3/15/2002, she contributes an additional \$70,000 to fund the DB plan for the year 2001. The total \$140,000 is deductible for 2001.
 3. After 3/15/2002, but before 4/15/2002, she contributes \$30,000 to fund the DC plan for the year 2001. Before 3/15/2003, she contributes an additional \$30,000 to fund the DC plan for the year 2002. The \$60,000 is deductible for 2002.
 4. In the next year she can "flip-flop" and take a deduction for two years of DB contributions... and so forth.

If you do not want to be so careful with the aforementioned dates which must be strictly adhered to, then you may consider other plan designs, such as:
- B. An employer has a DC plan and a DB plan. The DB plan generates more than a \$30,000 contribution for the owner; therefore, freeze the DC plan and fully fund the DB plan. When the DB plan is fully funded, then fund the DC plan.
- C. Employer has DB fully funded—set up a DC plan.
- D. Employer has DC less than 25%—set up a DB plan that will maximize the owner but does not have to give up to 25% to everyone else. 

Three New Investment Imports

By Bill Lilliquist

ADDITIONS BRING TOTAL TO 14

The recent release of the Defined Contribution/401(k) System's version 3.08 added three new import formats— for Equitable, Guardian and Mass Mutual. When coupled with Aetna, American Funds, First New England Benefits, Kemper, Manulife, Minnesota Mutual, Nationwide, New England Retirement Systems, Phoenix Home Life, Prudential Mutual Funds and the Travelers— this brings the current total to 14 vendors who offer “daily” recordkeeping with links to DATAIR.

Interfaces with Lincoln National have been written and turned over to them for testing, and a link with both American United Life and The Hartford are underway with file specs still coming in.

Using your choice of one or more of these various vendors provides you and the participants of the plans you administer with a broad array of mutual fund choices, plus such accompanying features as investment transactions, share-accounting, daily valuation, voice response, participant statements and enhanced data handling. In most cases, the TPA need only design and enroll the plan, periodically test it and make adjustments, do the year-end forfeiture allocation, handle loans and terminations, etc. The TPA leaves the detailed “bucket-

accounting” of investments and frequent updating of accounts to the product/fund vendor.

For many TPAs this has resulted in ‘win-win-win’. The plan participants have more investment choices and timely information. The employer or plan sponsor has a more flexible and satisfying plan with lower administration fees. The TPA is able to offer wider choices of both services and investments without taxing internal manpower or software resources. Finally, DATAIR is able to better accommodate the needs of its TPA customers by providing, supporting, and subsidizing a growing list of such arrangements.

MORE DIS/XLA/RPT FILES UNDERWAY

We are exploring more interfaces and encourage TPAs to talk to their vendor representative about contacting DATAIR to create customized links with their product systems. These customizations typically are comprised of one or more DIS files (data import specifications), associated XLA files for translating the DIS, and RPT files for sending data from the DC System to the product vendor, again minimizing manual data entry while providing speed and accuracy.

More information can be found in the fourth red tab of your DC User Manual titled Import/Export. We have also begun a project to have each vendor provide a 250-word description of their products, services and “TPA Services” contact information. DATAIR will distribute this information and make it a part of our User Manual. 🌀

Document Update

Lanning R. Hochhaser, Esq.

The good news is the IRS has released Rev Proc 2000-20 that replaces Rev Procs 89-9 and 89-13. The new Revenue Procedure permits Mass Submitters and National Sponsors of prototype plans (this includes DATAIR) to file GUST documents for review beginning April 7, 2000. The bad news is formulas that require cross testing will not be permitted in prototype plans. I will be making significant changes to the plans based on the requirements of Rev Proc 2000-20; therefore, if you have any suggestions for the prototypes please let me know as soon as possible. 🌀

“...version 3.08 added three new import formats... this brings the current vendor total to 14.”

EFAST: A New Acronym to Remember

By Gary Saake

Question: What do you get when you combine the transfer of the 5500 program from the IRS to DOL, outsourcing the project to a private sector contractor, and then subcontracting it to seven other vendors?

Answer #1: The ERISA Filing Acceptance System, a.k.a. "EFAST"

Answer #2: A lot of confusion.

BACKGROUND...

As John Helms, the DOL's EFAST Project Director, put it; "For 24 years the IRS has been trying to fit the 5500 program into a system designed to handle 1040's, and it just didn't work very well". So, in 1993, the DOL began the campaign to take over responsibility for the 5500 program from the IRS. After a false start or two, the DOL is now in control, and beginning with 1999 plan year filings.

Rather than design, publish, and process the forms internally, the DOL decided to outsource the process to the private sector and held a competitive bidding process where two companies, National Computer Systems, Inc. (NCS) and Wang Federal Systems, received contracts to create mock-up proof-of-concept systems. The winner of that competition was NCS, who was then awarded a contract to provide forms and processing services for the next 5 years.

While NCS is the prime contractor, they have subcontracted it to seven additional companies; the most notable being Nelco, Inc. which is responsible for form design, and development of tools, specifications, and procedures for electronic filing and marketing of the EFAST program.

TWO TYPES OF FORMS...

Because of the desire for highly automated processing, there will be two different types of forms created each year, hand-print and machine-print.

Hand Print (HP) Forms: These are forms that will be completed by a manual process such as pen, pencil, or typewriter. They are printed with blue drop-out ink so they can be optically scanned. Only original forms may be used. No photocopies or downloaded forms may be used because of the blue ink. The DOL is expected to mail the filing packages with the hand-print forms to plan sponsors in mid-February 2000.

Machine Print (MP) Forms: These are forms that are completed by special computer software, such as DATAIR's Pension Reporter/Windows. These forms include a two-dimensional barcode that contains all of the data on the forms. Rather than the actual letters and numbers printed on the form being read, the data is read by scanning the barcode. In tests, NCS has found the accuracy of reading the barcode is virtually 100%. That really matters as they are processing 1.2 million 5500 returns, consisting of over 20 million pages each year.

TWO WAYS TO FILE...

In addition to the traditional paper form filing, the NCS is also developing an entirely revamped electronic filing system that allows the return to be electronically filed through a modem-to-modem connection, internet File Transfer Protocol (FTP), or various diskette and tape magnetic media formats. The IRS also accepted 5500's electronically, but if you ever tried to use that antiquated system, you quickly learned it was a futile effort since the paper forms still had to be filed because of the legal requirement that the filings be signed.

Electronic filing is the one area that's probably the least well defined at this point in time. There will be an EFAST-1 form that will need to be filed to get PIN numbers and encryption codes that will be used to electronically "sign" the filing. Unfortunately, the form is still in internal development, and will have to be published in the Federal Register, undergo a 60 day public comment period, etc. meaning that it's unlikely to be available before April or May. Nelco is also developing tools that software developers will use to encrypt and transmit the files, however they aren't expected to be available until April. Since it will take time for the PIN applications to be processed, and there are test filings that need to be done, it's really unlikely that this will get off the ground for 1999 filings in my estimation.

There's a user guide in development that's aimed at everyone from plan sponsors to developers that contains info on the electronic filing process, application, testing, and specifications. Unfortunately, it's not expected to be available until approximately April 1.

The contractor receives a bonus for each plan filed electronically and it is less-costly to them to process electronic submissions, so they are pushing this very hard. Look for this to be the only way you can file in a few years.

(Continued on page 5)

(Continued from page 4)

In addition to the EFAST-1 problem, they also have some security and logistical hurdles to jump so that multiple parties at different locations can "sign" their part of the filing (plan administrator, sponsor, and actuary) using their unique PIN numbers, yet have a third party file the 5500 without being able to alter the data or obtain the PIN. The contractors and the DOL are still on a learning curve when it comes to understanding what happens outside Washington DC, so it's going to take time for them to learn the ropes. Hopefully, they'll develop a system as friendly as the IRS's 1099 electronic filing process in the end.

NOTICE OF ERRORS...

For electronic filing, the filing will go through a preliminary check and gross errors will be reported directly to the transmitter (i.e.: the TPA). By law, content errors for any type of filing have to be directed to the Plan Sponsor, Plan Administrator, and anyone who has an active 2848 on file for the plan. The IRS will continue to process 2848's but will send a weekly tape to NCS with an updated list of 2848's that are active. If a TPA wants to be notified of errors on the forms they file for their clients, they must have a 2848 on file at least one or two weeks prior to filing the 5500. (Get your 2848's in now!)

POINTS OF INTEREST...

When using the machine-print forms note that it will no longer be possible for the TPA to send a partially completed form to the plan sponsor for them to complete the missing data and file the form. Data not included in the barcode when the form is printed will be seen as missing data. Thus, it is imperative that TPA's request all data that will be necessary to complete the forms in their anniversary data requests.

It should also be noted that it is no longer acceptable to place notes on the forms in other than the provided data entry fields. Because both types of forms are scanned and data entered into a database, anything outside of the expected fields is ignored. All notes must be in the form of attachments, which will be separately processed.

The DOL also stressed at the ASPA Annual Conference, and again at the EFAST Developer's Conference that it wants filers to file on time, even if necessary information is missing, such as the Accountant's Report, to avoid late filing penalties. They will notify you within 30 days of anything that was missing and give you a period of time to file the missing items. Now, your mind may be spinning the way mine did when hearing this initially, but I wouldn't push it to the extreme and file blank forms just

to beat the filing date. There are still those laws about knowingly submitting frivolous filings.

Another point came up that might be of interest is that, at least currently, they will accept mixed hand print and machine print filings, but will not accept mixed electronic and paper filings. However, it's something they hadn't considered originally, and may prohibit mixed filings in the future.

MARKETING...

Some would wonder why a government program to file tax returns needs marketing, but the contract with NCS dictates a marketing program. Nelco is responsible for marketing EFAST and will attend trade shows, work with benefits organizations, place ads, and do direct mailings. They will also operate the EFAST web site (tentatively <http://www.efast.dol.gov>) which should be operational in April.

WHAT'S AHEAD?...

Software vendors are scheduled to receive specifications for the final forms in late January and the tools to create the two-dimensional barcode by February 1st. As soon as the information is made available to us we will begin the process of incorporating the almost 50 pages of forms into our Pension Reporter/Windows system. Once the forms are incorporated into the system, we are required to undergo acceptance testing through NCS and Nelco to make sure they are compliant with their specifications. It's our expectation that, from start to finish, that it will take 60 to 90 days to complete the entire process and deliver the 1999 5500 forms to you. Based on the currently published schedule, that would put PR/Windows in your hands between April 1 and May 1, 2000. Of course, if the government contractor's dates slip, ours will need to also. We realize this is a lot later than the mid-January you have been accustomed to as a DATAIR client, but rest assured we'll do everything in our power to deliver the 1999 forms to you as quickly as humanly possible.

There has been no mention of extending the filing deadline, although we've suggested that they entertain that possibility if their schedules continue to slide. ASPA is also keeping on top of this, so be sure to let them know your concerns so that they can keep up the pressure on the DOL.

It's pretty evident at this stage that we'll all end up with a pretty user-friendly 5500 filing program in the end... but it's going to be a bit "sporting" for the 1999 filing season. 

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ROUTE TO:

WESTMONT 2000 TRAINING SCHEDULE

Master the tools and fundamentals of pension administration through DATAIR's step-by-step systems training classes in Westmont, Illinois.

- February 7-11
- March 13-17
- May 1-5
- July 10-14
- September 11-15
- November 13-17
- December 4-8

REGIONAL 2000 TRAINING SCHEDULE

Join us 'on the road' for DATAIR's Defined Contribution, Data Import and Data Entry, and Report Writer systems training.

Dates	Locations
 April 24-26	Orlando, FL
 June 26-28	Reno, NV
 Sept. 18-20	Albany, NY
 Nov. 6-8	Dallas, TX

Visit our website at www.datair.com, then click on 'System Training' or contact our Training Department.

CURRENT SOFTWARE VERSIONS



PE Pension Administration..... 3.09
 PR Pension Reporter..... 4.62
 RD Retirement Plan Doc..... 1.41
 CA Cafeteria Administration..... 4.51b
 CD Cafeteria Plan Document 1.23a
 CM Client & Task Manager..... 1.01

PA Plan Accountant..... 2.03
 QP Qualified Plan Distribution..... 1.52
 FA FAS 87 Reporting..... 2.00
 PT Participant Term. Calc 1.50
 DE Data Entry & Review..... 1.13a