

**Defined Benefit System  
PPA '06 Enhancements**

Presented by  
Aaron Venouziou  
and  
Dave Roper

---

---

---


---

---

---

---

---



**PPA '06 Enhancements**

- **DB DOS**
  - Basic Capabilities to ensure PPA '06 valuations until PE/Win is released
- **DB Win**
  - Progress parallels that of DB DOS with major expanded capabilities
    - Table lookups
    - Cushion amounts calculated as if plan at-risk
    - History of shortfall amortizations

---

---

---


---

---

---

---

---



**Adjusted Funding Target Attainment Percentage (AFTAP)**

- **AFTAP indicates funding of plan utilizing three segment rates**
  - Underfunding could still occur if actuarial equivalent rates are more favorable
- **Limitation of payments and accruals (Sec. 436)**
  - if AFTAP below 80% or 60% respectively
- **New Plan Exception – Limitations do not apply to the first five years (but take into account predecessor plans)**

---

---

---


---

---

---

---

---

 **DATAIR**  
EMPLOYEE BENEFIT SYSTEMS, INC.

### 2008 Valuations

- 2007 AFTAP
  - **Most important number NOW**
  - Unfunded current liability from '07 Schedule B will be used for '08 as the prior year AFTAP
  - For plan years beginning before 1/1/09 contributions (and receivables made in 2008) for '07 plan year can be included as part of the assets

---

---

---


---

---

---

---

---

 **DATAIR**  
EMPLOYEE BENEFIT SYSTEMS, INC.

### 2008 Valuations

- Basic Rules
  - 2007 AFTAP greater than 100% - no problem
  - 2007 AFTAP less than 100% but greater than 90% - watch out!
  - 2007 AFTAP less than 90% - potential problem (Advanced Valuations for '08 year may be required if AFTAP applicable for current year is 90% or less.)
  - Why may I not care on a small plan if I am below 80% but higher than 60%? (Who cares if distributions are limited?)

---

---

---


---

---

---

---

---

 **DATAIR**  
EMPLOYEE BENEFIT SYSTEMS, INC.

### 2008 Valuations

- Basic Rules
  - Increase AFTAP
    - Use high end of current liability range, **5.78%**, to increase AFTAP
  - OR
  - Make use of 150% Unfunded Current Liability deduction limit and increase assets.
    - Use low end of range **5.21%**

---

---

---


---

---

---

---

---



**Note: The following topics will be covered in future webinars.**

- **Presumed Underfunding (Sec. 436 (h))**
  - If EA has not issued certification of a plan's AFTAP, the AFTAP of the current plan year is presumed to be equal to the preceding year's certified AFTAP
  - If no EA certification by the 1st day of the 4th month, use certified AFTAP from the preceding year minus 10%
  - If no EA certification by October 10 (or 10<sup>th</sup> month) AFTAP presumed to be under 60%

---

---

---


---

---

---

---

---



- **Rules relating to contributions required to avoid benefit limits**
  - Reducing funding standard carry-over balance and pre-funding balance
  - Make an additional contribution for a prior plan year that are not added to the pre-funding balance
  - Making specific contributions described in Sections 436(b), Shutdown benefits, (c)(2), Amendments increasing benefits and (e)(2), Limits on Benefit Accruals
  - Providing security as described in Sec. 436 (f)(1)

---

---

---


---

---

---

---

---



**DB Screen Coding**

**Presented by  
Aaron Venouziou  
and  
Dave Roper**

---

---

---


---

---

---

---

---

 **DATAIR**  
EMPLOYEE BENEFIT SYSTEMS, INC.

**DB DOS SCREEN CODING  
FOR PPA '06**

- **Screen 10**
  - Valuation/Allocation Date must be Beginning of Year 1/1/08 or later.
  - No guidance for End of Year valuations

---

---

---


---

---

---

---

---

 **DATAIR**  
EMPLOYEE BENEFIT SYSTEMS, INC.

**DB DOS SCREEN CODING  
FOR PPA '06**

- **Screen 15**
- **Salary Scale**
  - 1 year increase for increase in accrued benefit for Target Normal Cost
  - Increases in accrued benefit for Funding Target Cushion Amount under 404(o) (similar to PUC)
- **Pre-Ret Mortality Table**
  - If used must be coordinated with Post Retirement mortality table
  - 08N00 with 08A00
  - 08C00 with 08C00

---

---

---


---

---

---

---

---

 **DATAIR**  
EMPLOYEE BENEFIT SYSTEMS, INC.

**DB DOS SCREEN CODING  
FOR PPA '06**

- **Screen 16**
- **Mortality Table**
  - 08A00
  - 08C00
- **Funding Segment Rates (1st, 2nd, 3rd)**
  - 2008 - 2/3rds CCBP plus 1/3 Yield curve
  - New plans ineligible for transition rule

---

---

---


---

---

---

---

---

 DATAIR  
EMPLOYEE BENEFIT SYSTEMS, INC.

**DB DOS SCREEN CODING  
FOR PPA '06 2008 Valuations**

- Screen 16
- 417(e) Segment Rates (1st, 2nd, 3rd)
  - Different segment rates – no average
  - For 2008 – 80% old rate and 20% new rate
  - New mortality table – not yet published
- PBGC Segment Rates (1st, 2nd, 3rd)
  - Similar to Funding rates
- Limit Lump Sum for Funding to 415 Max (0-6)
  - Suggest code 4, fund for annuity

---

---

---


---

---

---

---

---

 DATAIR  
EMPLOYEE BENEFIT SYSTEMS, INC.

**DB DOS SCREEN CODING  
FOR PPA '06**

- Screen 16

**You will be responsible for  
entering all rates**

---

---

---


---

---

---

---

---

 DATAIR  
EMPLOYEE BENEFIT SYSTEMS, INC.

**DB DOS SCREEN CODING  
FOR PPA '06**

- Screen 19
  - Actuarial Cost Method (1-9,A-F) = 7
  - Normal Cost Calculation Method (1-3,P) = P

---

---

---


---

---

---

---

---



**DB DOS SCREEN CODING  
FOR PPA '06**

- **New reports**
  - Valuation Statement
  - 404(o)(3)(A)(11) CUSHION AMOUNT INCREASE
  - Valuation Results
    - Valuation results
    - Funding Shortfall
    - Minimum Required Contribution
    - Maximum Contribution
  - 2008 Schedule SB

---

---

---


---

---

---

---

---



**QUESTIONS?**

---

---

---

---

---

---

---

---