

The DATAIR News

NEWS FOR THE DATAIR PENSION AND BENEFITS PROFESSIONAL

FALL 2001

From the Top

By Aaron Venouziou, President

We are pleased to announce that the IRS has approved all of DATAIR's prototype plan documents. This means that everyone who filed for approval with us has also been approved. These are the DC plans for Profit Sharing, 401(k), Money Purchase and Target Benefit, both Standardized and Non-Standardized, and the DB Plans including Integrated and Non-Integrated formulas, also in Standardized and Non-Standardized versions. We are very proud of the efforts that went into making these documents. We believe them to be the best prototypes available anywhere. In fact, as far as we can tell, our DB prototypes are the only DBs that have been approved at this time.

Our programmers are now incorporating the final changes into RetireDocs, our new document system for Windows. Our staff is methodically testing all aspects of the system and we anticipate releasing it in mid November.

We have prepared text versions of the documents on diskettes that we have sent out this week so that you can establish some of the new plans that you've been working on. If you are also a sponsor of our documents your approval letters have been included with these diskettes.

You still have plenty of time to amend your existing plans and one of the primary features of RetireDocs will be the ability to transfer as much information as possible from the old DOS version plans into the new plans in RetireDocs. In the first release this should be about 70% of the information needed to complete the new documents. This transfer feature will develop over the next few months in later releases and become more sophisticated.

The first release will also include the new 5300 series of IRS forms, Board of Directors Resolutions, Loan Procedures and Notice to Interested Parties. We will be demonstrating RetireDocs at the national ASPA Conference in Washington. If you are not attending the User Group Meeting on the Sunday of the Conference be sure to drop by our sales booth for a quick look.

The next step for us is IRS approval on our Volume Submitter documents. Currently, we are maintaining frequent contact with the agents involved in the review process, but we cannot anticipate the Service with regard to timing. We are in the second review phase in the process and could receive approval as soon as the end of December.

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DATAIR Profile



So a termite walks into a bar and asks, "Excuse me, is the bar tender here?"

And with that viciously bad joke, please meet Ken Faikus, mailroom manager, autobiographer extraordinaire and sometime desktop publisher for DATAIR. As far as his position as mailroom manager goes, basically, anything that gets mailed or shipped (such as software updates or recently purchased systems) likely passes through his fingers at some point in the process.

Ken graduated from North Central College with a double major in French and Spanish and a minor in journalism. Before joining DATAIR in the spring of 1998, Ken worked as a newspaper reporter, the editor of a library's newsletter and a manager for a company that performs personality profiles, though not all at the same time. When asked what he has learned from his college days and his various stops, he shrugs and says, "To never stop learning, I guess."

His passion for learning is what inspired him to take up a fourth language, German. But when he is not "diligently" studying, he enjoys catching a baseball game or a movie (often seeing at least two flicks a week), and getting a bike ride in when he can. He does admit that this all has taken a backseat to homework and remembering where the 'umlauts' go. (Umm, what?)

Ken, what do you enjoy about working at DATAIR? "Well, aside from the ten-minute commute and getting to show up in my Levi's®, I think it's that I have to stay on my toes, as I rarely know what's going to be thrown at me next." 

415 Limits in a 401K and the Big EGG

By Gary Ward

Normal existence in a 401(k) Plan has always been chained to the Deductibility Limit of 404. Many 401Ks are driven only by employee deferrals simply because there isn't enough room under the deductibility ceiling for the employer to make a reasonable contribution.

With the laying of EGTRRA, salary deferrals under a 401(k) plan have been moved outside of the deductibility limit, and the definition of compensation used in the determination of the limit is no longer net of deferrals. In addition, the annual addition limit is now 25%, and considered compensation for the highest paid has been increased to \$200,000.

Boom! the deductibility bucket just turned into a swimming pool.

For instance: take a plan with an owner making \$300,000 who pays 4 employees a whopping total of \$80,000 (okay, surprise, it's a dentist). The dentist defers the max of \$10,500, and the employees each kick in 5% for a total of \$4,000 (we pass the primary ADP by a small margin).

The deductibility limit before the EGG is \$36,900 (15% of

[\$170,000 plus \$80,000 minus \$4,000]). So the dentist could contribute another \$22,400 – Wow, what a deal.

In 2002, the dentist defers the maximum of \$11,000. All compensation is the same, but since the dentist now has \$200,000 for ADP purposes, if the employees only defer 4.4% (but for deductibility, we really don't care how much this is in dollars) we still pass the ADP under the primary test. (Let's say the employees still defer \$4,000 in total). The deductibility limit is now \$70,000 (25% of [\$200,000 plus \$80,000]). The deferrals are not part of this amount, so the dentist could kick in a profit sharing contribution of \$70,000 on top of the deferrals.

That is a difference in total funding of 130%. One year the max was \$36,900 (inclusive of the \$14,500 in deferrals), and the next year it is \$70,000 (plus the \$15,000 in deferrals).

If we make the 401(k) a Safe Harbor with a 5% non-elective and set eligibility for initial participation to the max; throw in a generous match with a last day/1000 hour rule; and kick in a cross-tested profit sharing formula; we finally have a plan that we can really include some exciting things. The key in operating a 401(k) is no longer the deductibility limit. All calculations in 2002 will key off of pushing humpty-dumpty to the edge of 415. 

Oh, Darn, There's Still GUST To Do

Not only will you have regular administration and EGTRRA projections to do, you've got GUST restatements, too. 2002 promises to be a very busy year! DATAIR'S transfer of the plan provisions from the old DOS program into the new Windows program will make your restatement process as easy as possible. You can streamline the process even more by preparing for the restatement even before you receive your copy of the new document system. By having a summary of the pre-amendment operation of the plan during the remedial amendment period, you will be able to save a great deal of time preparing the restatement. The data you need to collect includes:

- Highly Compensated Employee – Top Paid Group Election vs. Calendar Year Data Election and the years applied.
- Current Year or Prior Year Testing for the ACP and ADP tests as applied during the Remedial amendment period and the method that will be applied under the restatement.
- Mandatory Cash Out provisions – Raise to \$5,000 or leave at \$3,500?
- Safe Harbor CODA election – Match or Non-Elective? For 1999, 2000 and 2001? Basic Match or Enhanced?
- QNEC's during the remedial amendment period? If so, what years, what test and what QNEC allocation formula? What year(s) was the QNEC counted as a 415 annual addition?
- Minimum Required Distributions for those not owning 5% of the employer.
- Were Hardship Distributions treated as being eligible rollover distributions in 1999?
- Did the plan provide distributions prior to the expiration of the 30-Day notice period? 

The DATAIR News

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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.

Easing the Load of the Next Busy Season

By Kristina Kananen, QPA, APA

Whew! Busy season is really hard when it is 10½ months long, isn't it? And next year's busy season is right around the corner! Are you looking for a quick way to ease some of the work burden in 2002?

Well, here is an idea. Complete and file a form 4419 so that you can file 1099R's with the IRS electronically or magnetically for all of your clients. It takes seconds. You only need the signature of the person responsible for the tax filing, which in most cases will be a principal of your firm. Upon approval of the 4419, the IRS will give you a Transmitter Control Code (TCC).

What does it save you? Time and money!

- You will not have the expense of the redline forms.
 - No need to count up all of the 1099R's you think you will have for 2001 or estimate how many additional ones you will actually have so that you can order the redline forms.
 - No calling other practitioners on 2/27 to see if you can get some redline forms from them because you forgot about a terminated plan when you ordered your forms.
 - No spending time trying to line up the redline forms on your printer.
 - No tying up a printer because redline forms are in it.
 - No need to stop ADP/ACP testing in February to get your redline forms printed.
- Pension Reporter Version 1.07 has a new electronic/magnetic "Wizard" which will make producing a diskette, or sending a file over your modem, a snap!
 - No more guessing what is in the IRSTAX file. You'll be able to see each plan added as well as each valid 1099R for that plan.
 - You'll have the capability to create different IRSTAX files for different administrators, plan year ends, plan types or even different plans;
 - The FIRE filename assigned for each electronically filed IRSTAX file is retained in the system incase there is an IRS question regarding your data; and
 - You'll be able to print a summary of each IRSTAX file you create.

What do you need?

- A TCC, and
- Pension Reporter for Windows or even the DATAIR Pension System;
- A decision to use electronic filing (via modem) or magnetic filing (via diskette).

By the way, if you choose electronic filing, the filing deadline is 4/1/2002. If you choose magnetic filing, the filing deadline is the same as paper filing, 2/28/2002.

Electronic filing! Just the thing to save your time, money, energy and nerves in the coming busy season. 🌀

Windows XP and DATAIR

By Gary Saake, VP/Systems

Just when you were getting comfortable with Windows 98, ME, and 2000, along comes Microsoft with Windows XP.

On October 25th Microsoft will release it's latest and greatest operating system, and inundate you with a 200 million dollar TV advertising campaign extolling its virtues. If you're not already wondering if your DATAIR software is compatible with this new operating system, you will be shortly.

Based on testing we've conducted using beta test versions of XP, DATAIR's DOS applications operate properly in all respects.

As for our Windows-based applications, Pension Reporter version 1.07 and Client & Task Manager version 1.04 will be completely compatible with XP, however older versions of these systems require a special pre-installation step be taken. DATAIR's soon-to-be introduced Document System for Windows will be XP-compatible with its initial release.

So, if you're thinking about buying a new computer, we heartily recommend having Windows XP installed on it. Of course, you should check with the vendors of other software and hardware you use to make sure their products are also XP compatible.

It's very likely that any software or hardware that is Windows 2000 compatible will also be Windows XP ready, but there are exceptions, so it's best to check.

We'll conduct additional testing with the release version of XP, and will post any additional findings on the Operating System FAQ page of our web site at <http://datair.com>. 🌀

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ROUTE TO:

Did You Know?



Adjustment to Annual Additions Limit

“The dollar limitation described in section 415(c)(1)(A) and subparagraph (1) (i) of this paragraph is adjusted for cost of living increases under section 415 (d) and paragraph (d) of this section. The adjusted figure is effective as of January 1 of each calendar year and applies to limitation years that end during that calendar year.” Treasury Reg. 1.415-6(a)(2)

In other words, unlike most other COLA adjusted figures, 415 works off of the last day of the plan year, not the beginning.

However, the amendment of the 415 Limit to \$40,000 brought about by EGTRRA is not a COLA increase and is not referenced by this regulation. The change for EGTRRA is effective as of the plan year beginning after 12/31/01. Therefore, for non-calendar year plans, the \$35,000 will still apply for years that end in 2002, unless COLA changes it again, while plans that begin in 2002 will have the new limit of \$40,000.

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We will be holding seminars covering the changes in the documents dealing with the GUST amendments and the changes in the law brought about by EGTRRA. Due to the overwhelming response we have had for this seminar, the November and December seminars in Westmont are full; therefore, we have added the following dates and locations to meet the growing demand.

- ☞ November 30—Orlando, FL
- ☞ January 7—Westmont, IL
- ☞ January 11—West Coast (tba)
- ☞ January 14—East Coast (tba)

Please see our  website for more information or  to register for one of

**Current
Software
Versions**



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|----------------------------------|-------|
| PE Pension Administration..... | 3.15 |
| PR/WIN Pension Reporter | 1.07 |
| RD Retirement Plan Doc..... | 1.41 |
| CA Cafeteria Administration..... | 4.53 |
| CD Cafeteria Plan Document | 1.23a |
| CM Client & Task Manager..... | 1.03a |

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