

The DATAIR News

NEWS FOR THE DATAIR PENSION AND BENEFITS PROFESSIONAL FALL/WINTER 2006

From the Top

By Aaron Venouziou, President

Riding High on the Cash Balance Bandwagon

You are probably aware of the recent developments affecting Cash Balance Plans. After years of uncertainty, the Pension Protection Act of 2006 ("PPA") injected new life into these long neglected programs. Some questions remain regarding their status prior to PPA, especially in light of conflicting court decisions involving IBM and more recently JP Morgan Chase, but going forward the cash balance plan has been reborn. I always try to listen carefully and what I am hearing is that everyone is now on the bandwagon for Cash Balance programs. Why are cash balance plans now so attractive and are they right for everyone?

Before I go too far, let me emphasize that Cash Balance Plans are not the answer for everyone. For the small Ma and Pa plans, a traditional defined benefit plan is still the way to go. This traditional approach is made simple by implementing a single plan that can often utilize a prototype document. With a cash balance plan, the plan must be established using an individually designed document...IRS will not allow them to be established using prototypes or volume submitter plans. We did ask them back in August and the IRS response was that they "had other things to worry about".

When should a cash balance plan be considered?

- ▶ Defined Benefit limits and design are desired
- ▶ Defined contribution plan simplicity is desired in plan communication
- ▶ Equal or specific contributions ("credits") are desired among principals
- ▶ Company has a larger workforce comprised of older employees

Also, PPA provides for a new enhanced deduction limitation for sponsors who maintain both a defined benefit and a defined contribution plan. You can expect to see more benefit designs using a combination of these plans (often referred to as "Combo Plans").

What are we doing at DATAIR?

We have completed an EGTRRA compliant cash balance plan for our Document System and our pension system has had cash balance plan capabilities for some time now.

Confused? Still uncertain of when a cash balance plan is the right fit? DATAIR wants to help you help your clients and remove that uncertainty. We will be sponsoring a Cash Balance Plan Seminar in February at our office in Westmont, Illinois.

So let DATAIR give you a hand to help you jump up on the bandwagon for a smooth ride. There's plenty of room for all! 

DATAIR Profile



Meet Robin Snyder who celebrates her fourth anniversary as a DATAIR employee this December.

Robin is a member of our DC System support team and the main contact for the Client & Task Manager System. Her career started at Met Life in NYC, then on to Home Life, and finally MONY where she administered pension plans. After several years in New York City and northern New Jersey, she was given an opportunity to move to Chicago and work for a small TPA office working with one of MONY's insurance agents. That was twenty years ago and now she calls Chicago home.

After the birth of her daughter, Robin explored other business options that would offer a more flexible work schedule. She took a leap of faith and started her own TPA business which she successfully ran for 10 years. Being a 'people person', Robin missed the day-to-day social contact and decided to trade her home office for the traditional office. As luck (and timing) would have it, a client mentioned that DATAIR had a position available that was ideal for Robin's background and personality.

Robin is always willing to lend a helping hand at work or play. She stays active playing walleyball weekly, swimming several times a week and helping out when needed on her 12-year old daughter Rachel's local swim team.

What do you enjoy most about working at DATAIR, Robin?
"I get paid to talk on the phone and help clients!" 

\$\$ Cash Balance Seminar Coming \$\$

Date: Monday, February 5, 2007

Time: 10:30 a.m. – 4:30 p.m.

Location: DATAIR's Westmont, IL office

Fee: \$395/person

See the Insert or visit our website at www.datair.com, *System Training & Seminars* for more details.

What's New with the 2006 5500s?

By Kristina Kananen, QPA, QKA, APA

The 2006 5500 forms are very similar to the 2005 5500s. Changes to the forms and instructions are:

- The instructions for questions 6 and 7 on form 5500 have been clarified for welfare benefit plans to determine when someone is no longer a participant or beneficiary.
- If a plan has delayed depositing deferrals, it may be relieved from filing Form 5330 if it has complied with the new Voluntary Fiduciary Correction Program (April 19, 2006) and the Prohibited Transaction Exemption (PTE) 2002-51.
- The addresses for late filing penalties under the Delinquent Filer Voluntary Compliance Program are now included in the 5500 instructions.
- The Schedule P has gone the way of the Schedule T and is no longer part of the 2006 5500s.
- The instructions were clarified to recognize that a 5558, extending only form 5500, need not be signed. (You still have to mail it though.)
- Instructions for Item B2 of the 5500 have been changed from not checking the box when you

are responding to EBSA correspondence pertaining to the filing, to checking the box as an amended return when the EBSA correspondence tells you to check it.

- Schedule A instructions for Line 2 of Part I clarify that Schedule A reporting is not required for compensation paid by the insurer to third parties for record keeping and claims processing services as part of the insurer's policy administration, nor is it required for compensation paid by the insurer to a "general agent" or "manager" for that general agent's or manager's management of an agency or performance of administrative functions for the insurer. Last year's wording may have been interpreted that both had to exist to not report either.
- Schedule B instructions for Item F were clarified to include "For this purpose, participants who are solely members of a multiemployer plan are not counted."
- Schedule B instructions for line 6a has a new sentence. "The rate used must be in accordance with the guidelines issued by the IRS."
- Schedule B, Part II, Line 12 instructions now include "multiemployer plans that checked box 1 on line E" as not being required to complete Part II.
- Schedule G Instructions for Part III, Nonexempt Transactions has a Tip regarding the VFCP and PTE 2002-51 and that perhaps the plan need not file a form 5330. This tip is also included in the Schedule H and the Schedule I instructions.
- An error was corrected in the instructions for line 2C of the Schedule I. In 2005 the instructions for Other Income were under Line 2d. This has been rectified in 2006 instructions.
- A note has been added to the Schedule R instructions: "Note. Schedule R should not be filed if lines 1 through 8 are left blank or checked "N/A"." If you have no other information to include on a Schedule R, you need not file the form for Line 9.
- Schedule R Instructions for the Line 8 "decrease" selection were modified to include the phrase "or all" in the last sentence so it reads as "This includes a decrease in future accruals, closure of the plan to new employees, and accruals being frozen for some or all participants."
- The Schedule R note in the instructions for Line 9 is expanded to include "Check the box for 'ratio percentage test' or 'average benefits test', whichever is applicable to the disaggregated plans. Both boxes may be checked if each test is satisfied by one or more of the disaggregated plans. (2) Multiple-employer plan filers should complete one Schedule R to report satisfaction with the coverage rules by all of the employers that participate in the plan. Check the box for 'ratio percentage test', 'average benefit test', or both, if any participating employer uses either test. Leave line 9 blank if all of the participating employers meet one of the exceptions noted below."
- A new NAICS business code has been added – 221500 Combination Gas & Electric is now included in the Utilities section.

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.

~ January is coming ~

We may not like it, but January and the mailing deadline for the 1099Rs are getting closer and closer. Because IRS will no longer accept any magnetic filings on diskettes, Pension Reporter will only support electronic filing over the internet.

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But, don't fear, this is so easy it is almost anti-climactic.

~ 1099R Service Bureau ~

If you find yourself going into shock trying to meet all the filing deadlines for the 1099Rs, DATAIR now offers the 1099R Service Bureau. You still have to enter or import all of the 1099R information into Pension Reporter. After that, you just press a button to send the file to a location on our website and we do the printing, mailing and filing. Think of it, no envelopes, no printing and no working late on January 31st. Of course, your computer does need to be connected to the internet....

For more information, read the announcement by clicking on the "What's New at DATAIR?" when you visit our website at www.datair.com or contact your DATAIR sales representative.

~ PBGC ~

The PBGC has apparently been inspired by their premium increase. DATAIR has received draft 2007 premium forms already and we have begun working on them. However, we cannot release them until they have been finalized, approved and we have been approved by PBGC for E-filing. Remember, **all** PBGC covered plans must file premium forms electronically in 2007. No more delaying on this one. But at least you have an easy out until you are satisfied that your clients can be trusted to complete their premium filings without you. You upload the XML file to the PBGC and provide your client with a signed copy for their signature as well as instructions for paying the premium.

~ Sometimes Procrastination Pays! ~

Those of you who dragged your feet on 5500 E-Filing and did not even try to lead your clients through the EFAST-1 and the Signer ID/PIN process under EFAST, can look your E-filing colleagues in the eye once again. None of the E-filing process will carry forward to EFAST2.

That's right. Unfortunately those hard won Signer Ids and PINs will not be used when the 2008 mandatory E-filing begins in 2009. The 2008  filing year will

Technical Notes

We generally link our software support to operating systems supported by Microsoft. We want to remind you that DATAIR no longer supports the Windows NT 4, Windows 98 and Windows ME operating systems.

Microsoft is planning to release the Windows Vista operating system early this coming year. It will replace Windows XP. We have been testing pre-release version of Vista. At this time, Windows Vista is not supported for any DATAIR applications.

More information can be found by clicking on "Technology Publications" on our website at www.datair.com. 

As the year end approaches, we are finalizing a new release of the cafeteria administration system which contains a number of enhancements.

You will have the ability to transmit Health Savings Account (HSA) contributions to a bank via ACH method. The HSA ACH information is coded separately from the ACH payments generated from reimbursable claims.

There is a new Master Claims folder in which a single claim item can be entered into the system and the claim amount will be applied appropriately when the employee participates in more than one reimbursement plan.

Two new reports have been added—a Calendars List Report and a Benefits List Report. Note that the Employee List report has the option to include discrimination test data, such as employee testing compensation and key/highly compensated status.

Information on all new features and other changes to the system are described in detail in the release notes located on the tool bar under the [Help] option.

New Limits--The IRS released the Qualified Transportation Benefits (132(f)) limits for 2007 under Revenue Procedure 2006-53. The maximum monthly parking reimbursement has been increased to \$215. The Transit & Van-pooling monthly maximum will be \$110. IRS Ruling 2006-57 was also recently released providing guidance on debit cards use for transit expenses. Be sure to review this if it applies to any of your clients.

Other 2007 updates are as follows:

- ▶ The medical mileage reimbursement rate will be .20 cents per mile.
- ▶ The dollar limit for the 25% concentration test for Key status increases to \$145,000 for officers.
- ▶ The 55% Average Benefits Test prior year compensation threshold increases to \$100,000. 


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ROUTE TO:

Did You Know...



If you have created all the 1099Rs for a plan and then you discover that the database was not updated for the client's new address or that there is an error in EIN/TIN used, that a simple fix is available? The 1099Rs pull the information from the Plan Information screens only when the 1099R is created. After that, even though the Plan Information screens are updated, the 1099Rs will not change, unless you use the Update Payer button at the bottom of the 1099R list. Just follow the screens and type the correct information in once and your 1099Rs will be corrected! 

Current Software Versions



CA/Win Cafeteria Admin.....	1.07	QP Qualified Plan Distribution.....	2.01
CD Cafeteria Plan Document	1.25a	PA Plan Accountant	2.03
CM/Win Client & Task Manager.....	1.05	PE Pension Administration.....	3.29
DC/WIN Defined Contribution.....	1.01	PR/WIN Pension Reporter	1.22
DE Data Entry & Review	1.13a	PT Participant Term. Calc	2.10
DS/Win Document	1.15	RW Report Writer	3.29
FA FAS 132 Reporting.....	2.03		