

The DATAIR News

NEWS FOR THE DATAIR PENSION AND BENEFITS PROFESSIONAL

SPRING 2007

From the Top

By Aaron Venouziou, President

Practice, Practice, Practice.

Spring is finally here and I am excited. Now I can work on my golf game. But, there are so many rules to remember and follow. Keep my head down, grip relaxed, shoulders square, left arm straight, slow backswing. Then, I need to practice and practice and practice until I get it right.

While it may only be spring, this year has already been very busy at DATAIR. We have been practicing a lot of things lately...

DC Windows System--We greatly expanded the system's import capabilities, added a simplified export feature and new features to facilitate the preparation of the benefit statements now required under the Pension Protection Act of 2006 ("PPA").

Defined Benefit System--In February we sponsored a one day seminar on Cash Balance plans here at our main office in Westmont. We had excellent participation and overwhelming demand required the scheduling of additional seminars. We also updated and released the system to use the mortality tables mandated by PPA for calculating current liability and PBGC premiums.

Document System--Our staff on the document system has also been very busy. You may recall we submitted over 50 pounds of paper to IRS in January, 2006 to initiate the review process of our DATAIR documents. IRS finally sent us a 34 page comment letter. We responded with a 14 page letter. Seems like a poor use for a lot of trees. I am happy IRS is finally moving forward with our submissions. Experience, though, tells me to not expect approval anytime soon.

Pension Reporter--We launched our 1099R Service Bureau back in January. Many of our clients took advantage of this by relieving themselves of the filing and reporting responsibilities during the start of their busy season. Take advantage of this service next year!

Cafeteria System--Health Reimbursement Accounts will be available soon. We are testing them currently in-house and expect to include them in the next system update.

So we continue to practice here at DATAIR. We are not yet where we want to be, but we are doing our best to turn in a good scorecard.

Now, if I can only remember to slow down my back swing, keep my left arm straight... 

DATAIR Profile



Meet Jim Buchman who celebrates his fourth anniversary as a DATAIR employee this year. Jim supports a number of DATAIR systems with primary emphasis on our DC System.

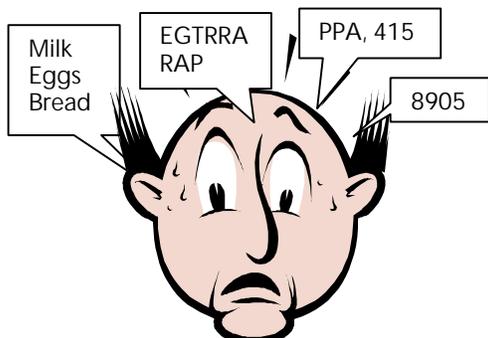
Jim is a native south-side Chicagoan (White Sox fan, of course, for those of you in the Chicago metropolitan area) and attended the University of Illinois, Chicago. As a post-ERISA baby he began his employee benefits career shortly after graduation, focusing primarily on defined benefit plans and various types of defined contribution plans. Jim eventually managed a TPA firm in the Chicago area for a number of years. He later focused on the investment aspects of the benefits industry as a general securities principal with a related broker-dealer before returning to the administrative aspects of the business at DATAIR.

Jim's immediate goal is to generate some positive cash flow through the completion of the college educations of his two daughters, and he's getting close. Jennifer (pictured above) finished school in December from Eastern Illinois University and Jessica will begin her senior year at the University of South Florida this fall. Jim's interests (other than supporting college professors) include gardening, golf, cooking and traveling.

What do you enjoy most about working at DATAIR, Jim? "That's easy...the unique personalities and diverse interests of my co-workers. Chicago is a fascinating melting pot of international cultures and DATAIR has a plethora of personalities and interests to match it." 

Documents Update

By Carmen Bryant



Is this how you feel? There have been so many updates to retirement plans over the last year. Sometimes it is hard to tell if you are coming or going. DATAIR's document team is working to keep up with all of the changes. I hope this article will answer some of your questions and relieve some of the pension tension you might be feeling.

Remedial Amendment Period for the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA RAP)

On September 12, 2005, Revenue Procedure 2005-66 was released. This Revenue Procedure outlines the ground rules for how all Individually Designed, Prototype and Volume Submitter plans are to be restated for EGTRRA and future restatements.

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.

Individually Designed Plans

All Individually Designed plans are restated on a 5-year cycle based on the last digit of the **Employer's Identification Number (EIN)**. You will restate your individually designed plans based on the following schedule.

Five year cycle for Individually Designed Plans

| Last digit of Plan Sponsor's TIN | Cycle | EGTRRA RAP ends | Next RAP ends |
|----------------------------------|-------|-----------------|---------------|
| 1 or 6 | A | 1/31/2007 | 1/31/2012 |
| 2 or 7 | B | 1/31/2008 | 1/31/2013 |
| 3 or 8 | C | 1/31/2009 | 1/31/2014 |
| 4 or 9 | D | 1/31/2010 | 1/31/2015 |
| 5 or 0 | E | 1/31/2011 | 1/31/2016 |

Five year cycle for Specific Types of Individually Designed Plans

| Type of Plan | Cycle | EGTRRA RAP ends | Next RAP ends |
|-------------------|-------|-----------------|---------------|
| Multiple ER Plans | B | 1/31/2008 | 1/31/2013 |
| §414(b) Plans | C | 1/31/2009 | 1/31/2014 |
| Multi ER Plans | D | 1/31/2010 | 1/31/2015 |

How do you know what to include in your restated plan? By December each year, the IRS issues a Cumulative List, outlining what new laws, regulations, and other guidance are to be included in every new, restated and terminating plan. Notice 2007-3 contains the 2006 Cumulative List. If you are restating an Individually Designed Plan and the EIN ends in a 2 or 7 you will use this list to restate your plan. All Cumulative List changes for the EGTRRA restatement must be incorporated into your document (no "snap on" amendment unless it is a terminating plan).

Prototypes and Volume Submitter Plans

DATAIR Employee Benefit Systems is considered a Master and Prototype Sponsor (M&P) of Prototype and Volume Submitter documents. Revenue Procedure 2005-66 requires that we restate every 6-years instead of every 5-years as with Individually Designed plans.

What does this mean to you? If DATAIR is your document sponsor or if you sponsor a DATAIR document, your plans will need restatement approximately every 6 years. We submit our Defined Contribution and Defined Benefit Plans to the IRS for approval (you do not submit your plans individually as you would under the 5-year cycle). Once we receive a favorable opinion or advisory letter the restatement process starts for you and your clients. At this time, we do not know when you will have to restate your plans for EGTRRA. The IRS will announce this compliance date after opinion and advisory letters have been issued to the major document sponsors. We submitted our Defined Contribution Prototype and Volume Submitter documents to the IRS in January 2006 and the IRS has two years to review our plans. The IRS also plans to issue **all** M&P sponsor letters at the same time. We are currently working on our Defined Benefit Prototype and Volume Submitter documents, which we must submit to the IRS by October 31,

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2007.

Form 8905-Certificate of Intent to Adopt

We have all heard the buzz and confusion regarding this one page form, and receive several calls a week. Should you prepare the form for your document clients? Guidance from Revenue Procedure 2005-66, Form 8905 FAQ's, IRS officials and instructions is confusing and sometimes contradictory. What should you do? We suggest that you have the Employer execute the form and thereby remove all doubt. To make this easier the RD/Win system has a multi-plan operation function to batch process the form for all of your clients at one time.

The original intent for the 8905 was to allow a plan to change from a 5-year cycle to a 6-year cycle, (i.e., allow a plan that is now an individually designed to adopt a M&P pre-approved plan when it is time to restate for EGTRRA). For example, you have an Individually Designed New Comparability Plan. DATAIR has a pre-approved EGTRRA document that allows for New Comparability and fits your formula. The Employer will need to execute the Form 8905 by the end of their 5-year cycle stating they will adopt a DATAIR EGTRRA plan.

One of the main causes of confusion is not only from the lack of guidance but also the attempt to reconcile the 8905 to the Certificate of Intent to Adopt used with the GUST restatement. Even though these forms tend to serve the same purpose, they are different in nature. With the GUST Restatement, the form was used based on where you were coming from (the document). Did your prior M&P sponsor timely submit for GUST? If you did not know or you wanted to rely on your new M&P sponsor's submission you had the client execute the Certificate of Intent. Another difference is the TPA sent the forms to the M&P sponsor (DATAIR) to keep unless you were a Word for Word adopter of the M&P sponsors document, now it is the responsibility of the employer to maintain these records.

The 8905 is based on what the plan is doing in the future. Here are some general questions to ask when determining if your plan will need a Form 8905. If you answer "no" to either of these questions you should probably have the client execute the form.

1. Did the Employer's current provider submit a plan document for the EGTRRA restatement?
2. Was the Employer's Plan adopted (not effective) prior to February 16, 2005?

When does the 8905 need to be signed? As I mentioned above the original intent of the 8905 is to change a plan from a 5-year to a 6-year cycle. With that in mind, the 8905 should be signed by the end of the plans 5-year cycle based on the last digit of the EIN. Remember, it does no harm to have an executed Form 8905 for the plan.

Pension Protection Act of 2006 (PPA)

August 17, 2006 President Bush signed the Pension Protection Act of 2006 (PPA) into law. With this, we now have a new set of rules to both follow and incorporate into the documents we use. PPA is the most comprehensive pension law since

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Two important provisions relating to Health Savings Account (HSA) and FSAs are effective for cafeteria plans for taxable years beginning after December 31, 2006. This is as a result of the Tax Relief and Health Care Act of 2006. The provisions are summarized below.

- ▶ A zero balance in a health FSA as of the last day of the plan year will not disqualify an employee from HSA participation during the grace period. If a health FSA participant has no remaining balance, he/she can begin participation in the HSA as of the 1st day of the next month. The zero balance is determined on a cash basis (i.e. without taking into account expenses that have been incurred but not yet reimbursed as of year-end).
- ▶ A one-time transfer of un-reimbursed health FSA funds can be made to an HSA. This one-time transfer is also referred to as a qualified HSA distribution. The requirements are: (a) the participant is HSA eligible and has High Deductible Health Plan (HDHP) coverage as of the 1st of the month in which the qualified HSA distribution occurs; (b) the qualified HSA distribution is elected by the participant before the year-end; (c) no reimbursements are made by the health FSA during any applicable grace period; (d) the qualified HSA distribution is made directly to the participant's HSA trustee; (e) the qualified HSA distribution is made before the 15th day of the 3rd month after year-end and (f) the qualified HSA distribution does not exceed the lesser of the health FSA balance on September 21, 2006 or on the date of the distribution (determined on a cash basis); after the qualified HSA distribution, the participant has a zero balance remaining in the health FSA and he/she has no other non-HSA compatible coverage.

Be aware that many other provisions relating to HSAs are also contained under this legislation. See IRS Notice 2007-22 for more information. 

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ROUTE TO:

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ERISA. A few provisions of PPA were effective during 2006. Many are effective in 2007 and 2008. At this time, we do not have model or good faith amendments for ongoing plans because, plans do not have to be amended for PPA changes until 2009. In the meantime, you must operationally comply with the changes and keep track of when the plan made the changes. (Can anyone remember GUST?) We are currently awaiting guidance from the IRS on how to implement these changes. There have been several notices issued by the IRS in Q&A format. Another good resource is the Employee Plans News issued by the IRS. Even though the Employee Plans News is not "formal" guidance, it is a good source of information for PPA guidance.

We are currently working on an amendment for terminating plans. The 2006 Cumulative List outlined several provisions that need to be adopted by plans that are terminating. In addition to the 2006 Cumulative List and PPA changes the Treasury finalized and released the long awaited 415 Regulations. We are currently reviewing the 415 Regulations and recently published guidance to make sure all the required provisions are included for terminating plans.

Stay tuned to The DATAIR News



newsletter, our Discussion Forums (www.datair.com) and Release Notes

Current Software Versions



| | | | |
|--------------------------------------|-------|-------------------------------------|-------|
| CA/Win Cafeteria Administration..... | 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..... | 3.30 |
| DC/WIN Defined Contribution..... | 1.01e | PR/WIN Pension Reporter..... | 1.22e |
| DE Data Entry & Review..... | 1.13a | PT Participant Term. Calc..... | 2.10 |
| DS/Win Document..... | 1.15a | RW Report Writer..... | 3.30 |
| FA FAS 132 Reporting..... | 2.03 | | |