

The DATAIR News

NEWS FOR THE DATAIR PENSION AND BENEFITS PROFESSIONAL WINTER 2006

From the Top

By Aaron Venouziou, President

So Far, So Good...

If I worry too much, blame my heritage and upbringing. Mom always said "Don't tell me worrying does not work, everything I've ever worried about never happened." But, 30 + years of experience taught me to be cautious when releasing any new system.

I have seen a **multitude of problems**. Systems blow up, databases disappear or screens go blank and keyboards lock up. Some problems are less severe but equally frustrating. A new system may be user-unfriendly, poorly designed or simply not work right. Bugs take months to get fixed, support is slow or unresponsive and training inadequate. So, I worry...

While I worried about the debut of **DC/Win**, we went to work. The result:

- ✓ Aggressive and comprehensive training through web casts
- ✓ Personalized in house training and regional training
- ✓ Responsive support by telephone, internet and e-mail
- ✓ Internet access to software updates with e-mail notification
- ✓ Internet access to frequently addressed training issues

So far, so good...

DATAIR released its windows defined contribution pension system **DC/Win** at the end of last summer. Nearly one-half of the 850+ companies nationwide using our DC system have now subscribed to **DC/Win**. Customers rarely call to applaud a product, but they are never shy about calling when a serious problem arises or expectations are not met. I have not received a single call complaining about the system or its implementation.

So far, so good...

We realize that the **DC/Win** has some limitations. All systems in their infancy do. We are working diligently to perfect the system while adding a host of enhancements. It will take time, resources and considerable effort, but we will not be satisfied until we have the very best system available.

I guess my mother's theory works because what gets us is the unexpected.

So far, so good... 

DATAIR Profile



Meet Brian Silanskis, proud father of these two darling girls, and a member of our development team. Brian joined DATAIR in August of 2001 with a background in developing database structures, testing standards and deriving assembly quotes for a Fortune 100 global communications leader.

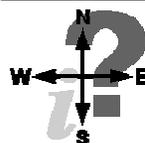
After five years of excelling as an electrical engineer, Brian was ready to switch gears and pursue a career that satisfied his true passion—fitness development. During his three-year stint with an industry leader, Brian successfully met his employer's goals, as well as some of his own personal goals. But a long commute meant time away from his other passion—his family. He found his future at DATAIR nestled right in his own neighborhood.

Brian is responsible for our Windows Pension System reports and maintaining the overall reporting functionality for most DATAIR framework applications.

Brian's mantra is 'Work hard. Play hard' and he sets the bar high. He plans on competing in the Illinois State power lifting competition this year with the goal of taking home the state record. How does he prepare for this competition? He hits the gym a minimum of 5 times a week, plays flag football for the USFTL, shortstop for a couple of softball leagues, and goalie for a men's ice hockey league. How does he manage this hectic schedule? He has a very understanding wife! (Good luck in the competition!)

What do you enjoy most about working at DATAIR, Brian? "The flexible hours allow me to meet all of my daily demands, especially with my two little ones at home, Morgan and Hailey." 

Special Points of Interest



- ★ Roth Deferrals
- ★ PBGC's Mandatory E-Filing
- ★ Cafeteria Update

IRS Issues Final Regs on Roth Deferrals

By Bill Brown, J.D.

Q. What is a "Roth contribution" ?

A. Section 617(a) of "EGTRRA" added section 402A to the Internal Revenue Code. The term "Roth contribution" refers to late Senator William Roth of Delaware, who pioneered the Roth IRA concept, which is permitted by Code section 408A.

Under Section 402A, a 401(k) plan can permit a participant to designate some or all of his 401(k) deferrals as "Roth contributions." According to the preamble to the final regulations, Roth contributions are "elective contributions under a qualified cash or deferred arrangement that, unlike pre-tax elective contributions," are currently taxed. On the other hand, a "qualified distribution of designated Roth contributions "is" tax free.

To implement the requirements of section 402A, the IRS issued final regulations on December 30, 2005 (Treas. Dec. 9237, 71 Fed. Reg. 3 (Jan. 3, 2006)). These regulations primarily add section 1.401(k)-1(f) to the final 401(k) regulations that the IRS issued on December 29, 2004.

Q. What are the key requirements of Roth contributions?

A. According to the preamble, the final regulations specify that Roth contributions are elective deferrals to a 401(k) plan that have these characteristics:

The contributions are "designated irrevocably by the employee at the time of the cash or deferred election" as Roth contributions.

The contributions are "treated by the employer as includible in the employee's gross income at the time the employee would have received the contribution as cash" in the absence of the election. In other words, the employer must treat the contribution amount as "wages subject to applicable withholding requirements."

The plan must maintain the contributions "in a separate account." Aside from gains and losses and rollovers of Roth contributions, no other funds may be allocated to the designated Roth account. The regulations specifically prohibit the allocation of forfeitures or matching contributions to this account.

Q. Are there any other differences between Roth contributions and traditional pre-tax elective deferrals?

A. No. The final regulations state that designated Roth contributions must satisfy all of the requirements applicable to any other deferrals made to a 401(k) plan. This includes the nonforfeitability and distribution restrictions applicable to elective deferrals. Roth contributions may be treated as catch-up contributions and may serve as the basis for a participant loan. A plan may also include Roth contributions in an automatic enrollment program, but the plan must specify the extent to which the default contribution amounts are allocated between pre-tax elective deferrals and Roth contributions. The plan must also allow a participant the opportunity to change the Roth deferral election at least once a year.

Roth contributions are also included in the ADP nondiscrimination test. If corrective distributions are necessary, the affected highly compensated employee may elect whether the excess deferrals come from the Roth contributions or pre-tax elective deferrals made during the testing year. A plan need not offer this election, however. Because Roth contributions have already been taxed, the subsequent corrective distribution is not subject to taxation, but any income allocable to that distribution is includible in the participant's gross income in the same manner as income allocable to a corrective distribution of pre-tax elective deferrals. Roth contributions to a 401(k) plan are subject to the minimum distribution rules.

These regulations do permit a plan to treat the Roth contribution account as a separate plan for purposes of the special de minimis rule in A-11 of Treas. Reg. section 1.401(a)(31)-1. This means that the plan need not allow a direct rollover of Roth contributions if the Roth account is less than \$200.

Q. Do the final regulations have any significant changes?

A. According to the IRS, some commentators on the proposed regulations requested that employers be allowed to sponsor plans that permitted only designated Roth contributions. The IRS rejected this request, however, because Code section 402A(b)(1) states that that a "qualified Roth contribution program" must allow the participant to designate Roth contributions "in lieu of all or a portion of elective deferrals." Accordingly, the IRS concluded that if a plan offered only designated Roth contributions, a participant "would not be electing to make such contributions in lieu of elective contributions he or she was otherwise eligible to make under the plan." Thus, the final regulations clarify that a plan must offer pre-tax elective contributions in order to permit designated Roth contributions.

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.

(Continued on back page)

PBGC's Mandatory E-Filing

By Kristina Kananen, QPA, QKA, APA



While EFAST is planning to institute mandatory electronic filing for the 2007 filing year, the PBGC has started their mandatory e-filing for plans with over 500 lives, beginning with filings on or after 7/1/06. Smaller defined benefit plans are not required to e-file until 2007. DATAIR's Pension Reporter will be ready to assist you.

DATAIR has been approved for 2005 and 2006 premium e-filings. Our approval is based on the new "schema" that the PBGC will be releasing, which is different than that used for 2005. We will not be able to release the Pension Reporter update containing the PBGC e-filing of Form 1-ES until the PBGC updates their website, which was scheduled for the end of January, 2006, but has been pushed back pending the premium increase.

It is not expected that we will have the Form 1, Form 1-EZ or Schedule A until late February. The PBGC is holding the forms sending approval for a premium increase. They have submitted the forms with the increased premium to the OMB for approval. We are programming those draft forms so that we can provide you with the premium forms as quickly as possible after they are released and our forms have been approved by the PBGC.

Until all the forms have been released and we have received approval, you will have several decisions to make regarding how you and your clients will handle PBGC filing this year. Your options are filing on paper, electronically, or a combination of the two.

If you decide to use e-filing or a combination of e-filing and paper, we recommend that you access the Practitioners section of the PBGC website (www.pbgc.gov) and select "Online premium filing (My PAA)". Then select "My PAA Online Demonstration" which will walk you through the process of signing up as a Filing Coordinator for a plan, assigning plans to yourself and inviting other members of the e-filing team. Be sure to print the "Companion Guide/Instructions for My PAA Demonstration". The Companion Guide explains how to get to the next screen and which buttons on the demo screen are the active buttons. Note that the term "final filing" is used in the PBGC documentation. This is not the "final filing" one would reference on a 5500. It merely refers to the final version of the premium filing that is being submitted to the PBGC.

As a first step to get used to e-filing, it is possible to just upload the premium filings for your clients and if you are the "responsible person" for the plans, you can then certify the filings. The responsible person is the Plan Administrator or a person who has the appropriate level of authority to certify the premium filing (Enrolled Actuary) or has written authorization from the Plan Administrator to upload and certify the filing. From that point, you can indicate if the client will be mailing a check or paying online. If paying online, they must have been invited by the Filing Coordinator to be members of the e-filing team for the plan and they will need their own My PAA account. If paying by check, you can print the Check Voucher from My PAA when you have certified the filing and send it to the client with instructions for mailing the check. (Note: A signed copy of the premium forms needs to be retained in the Plan Administrator's files.) A filing is not considered complete until both the premium has been certified and the check received by the PBGC.

You can ease into the water or jump right in. Either way, e-filing is here to stay. ☀

The DATAIR systems were recently updated to comply with the new Grace Period rule. These enhancements were included in version 1.25a of the Cafeteria Document system and 1.06b of the Cafeteria Administration system. They can be accessed from the DATAIR website (www.datair.com), 'Software Updates'. The administration update allows you to: (a) send emails directly to participants with employee statements, such as the FSA balance statement and ACH notice; (b) create a consent letter to receive electronic communications; (c) code claims if they were paid via a debit card; and (d) enter the run-out period for each FSA benefit.

The Grace Period and Run-out Period are based on different dates used within the system. Let's review how these dates affect processing of claims and checks.

In the Claims folder:

Submitted Date – the software compares this date to the Run-out period for the applicable benefit to determine if the claim should be approved.

Incurred Date – the software compares this date to the benefit's Grace Period. If the claim's Incurred Date is after the Grace Period, the claim will be denied.

In the Pay Claims folder:

Pay Thru Date – creates checks for approved claims in which the Submitted Date is on or before the Pay Thru Date.

Check Date – this date is stored in the checkbook along with each check/ACH payment that is created. It also appears on the printed check (if the Check Date is included in the check format). The Account Balance Report uses this date to determine which payments will be included in the Payment column. Therefore, your ending date should be after the plan year end to include payments for the plan year made during the grace period.

Contribution thru Date – this is the last day in which the program will post contributions based on the payroll calendar. ☀


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ROUTE TO:

(Roth, Continued from page 2)

Q. Are there areas that these regulations do not cover?

A. These regulations focus on the nature of Roth contributions and the deferral process for Roth contributions. Section 402A(d) contains specific distribution rules regarding Roth contributions that are not addressed in these regulations, but in late January, the IRS issued proposed regulations regarding distribution of Roth contributions.

Q. When are these regulations effective?

A. The regulations are effective on January 3, 2006, and apply to plan years beginning on or after January 1, 2006.

Q. Is there an IRS contact for additional information regarding these regulations?

A. Yes. You can obtain additional information about these regulations from Cathy Vohs (202-622-6090) or R. Lisa Mojiri-Azad (202-622-6060). 

**Current
Software
Versions**



CA/Win Cafeteria Admin.....	1.06b	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	3.25a
DC/WIN Defined Contribution	1.00d	PR/WIN Pension Reporter	1.20a
DE Data Entry & Review	1.13a	PT Participant Term. Calc	2.04
DS/Win Document	1.13a	RW Report Writer	3.25a
FA FAS 132 Reporting.....	2.02		