



INTERNSHIP REPORT

On

Comparative Study on Retirement Plan between Bangladesh and the United States of America (USA)

An Internship Report Presented to The Faculty of Business Administration in Partial
Fulfillment of the Requirement for the Degree of Bachelor of Business Administration.

Submitted To

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**Comparative Study on Retirement Plan between Bangladesh and
the United States of America (USA)**

Letter of Transmittal

Md. Kaium Hossain

Assistant Professor and Internship supervisor

United International University

Subject: Authorization Letter for Submission of Internship Report.

Dear Sir

Enclosed is the report on “**Comparative Study on Retirement Plan between Bangladesh and the United States of America (USA)**” which is submitted to you as an obligatory part of the fulfillment of the internship program. The entire Report is basically based on American retirement plan and rules and regulation. This report will give knowledge about Preparing Retirement plan according to US Regulation As well as help new employees and student to understand Your proper guidance also helped me to prepare this report.

In preparing this internship affiliation report, I have complied with the instructions of my organization supervisor while at the same time I tried to follow the guideline given by you. I will be glad to clarify any Difference that may arise. I will be always available to interpret any issue regarding this report. I will be always available to interpret any issue regarding this report. Thanking you for your kind cooperation.

Best Regard

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Acknowledgement

The internship opportunity I had with Data Path was a great chance for learning and professional development. Therefore, I consider myself as a very lucky individual as I was provided with an opportunity to be a part of it. I am also grateful for having a chance to meet so many wonderful people and professional who led me though this internship period.

It's very complicated to accomplish such a study without cooperative attempt. From the beginning to end I have observe the Total process of US retirement industry and taking interview from Khondokar Fazle Rabbi (HR) of Data path Ltd. My Special thanks to My honorable Mayeen Naomee (Team leader).Kazi Nurul Karim Nahid (Executive officer) and others.

I perceive this opportunity as a big milestone in my career development. I will strive to use gained skill and knowledge in the best possible way, and I will continue to work on their improvement, in order to attain desired career objectives.

Finally, I would like to thank my friends for their co-operation and honest suggestions.

Table of Contents

Letter of Transmittal	iii
Acknowledgement	iv
Executive Summary	ix
CHAPTER ONE-	1
1.1 Introduction	2
1.2 Origin of the Study	3
1.3 Purpose of the Study	3
1.4 Objective of the Study	5
1.4.1 Broad Objective	5
1.4.2 Specific Objective	5
1.5 Methodology	5
1.5.1 Primary Sources:	5
1.5.2 Secondary Sources:	5
1.6 Limitation of Study	6
2 CHAPTER TWO-	7
2.1 Company Profile	8
2.1.1 Getting Started	8
2.1.2 Vision	9
2.1.3 Mission	9
2.1.4 Core Value	9
2.1.5 Building team	9
2.1.6 Building Strategic partnership	10
2.1.7 Recent History: Expanding Services	10
2.2 Services	11
2.2.1 Plan Design	11
2.2.2 Plan Setup	11
2.3 Organizational Structure	14
2.4 Organizational Activities	14
2.5 Defined contribution plan	15
2.6 Define Benefit plan	17

2.7	Some basic terms.....	17
2.8	Types of Defined Contribution Plans.....	19
2.9	Profit Sharing Plans.....	20
2.10	401K Plan.....	20
2.10.1	Elective Deferral:.....	21
2.10.2	Catch up contributions.....	21
2.10.3	Designing roth Contribution.....	22
2.10.4	Matching Contribution.....	23
2.10.5	Nonselective Contribution.....	23
2.10.6	Simple plans.....	24
2.11	Money Purchase plan.....	24
2.12	Stock plan.....	25
2.12.1	Stock Bonus plan.....	25
2.12.2	Employee Stock ownership plan.....	26
2.13	Prerequisite for completing allocation projects.....	27
2.13.1	STEP 1 PROJECT ASSESSMENT AND PREPARATION.....	27
2.13.2	Contribution Information.....	29
2.13.3	ERISA Compliance Information.....	31
2.14	STEP 2 Review Plan Document/Relies Plan Specifications.....	34
2.14.1	Plan Data.....	35
2.14.2	Employer Data.....	35
2.14.3	Compensation.....	36
2.15	Daily Valued Plans.....	43
2.15.1	Verification of Census Information.....	45
2.16	July Sales Services.....	50
2.17	SWOT Analysis.....	55
2.17.1	Strengths.....	55
2.17.2	Weaknesses.....	55
2.17.3	Opportunities.....	Error! Bookmark not defined.
2.17.4	Threats.....	56
3	CHAPTER THREE-.....	57

ANALYSIS AND FINDINGS	57
3.1 Analysis and Findings	58
3.1.1 Background	58
3.1.2 Pension System:	59
3.1.3 Types of pension:	59
3.2 Retirement benefit	62
3.2.1 Leave preparatory to Retirement (LPR)	62
3.2.2 Gratuity	62
3.2.3 Government Accommodation	63
3.2.4 Benevolent Fund	63
3.2.5 Group insurance	63
3.2.6 Non qualifying service	64
3.3 Us Retirement policy	64
3.3.1 Government Rules	64
3.3.2 People desire to save	65
3.3.3 Rules of highly and non-highly compensated employees.....	65
3.3.4 People’s Right to know	65
3.3.5 Contribution to the homeland economy	65
3.3.6 Increase self-dependency	65
3.3.7 Age limit	65
3.4 Bangladesh pension plan policy	66
3.4.1 Insufficient amount	66
3.4.2 Terminated employee.....	66
3.4.3 Suspended employee.....	66
3.4.4 Not aware of the contribution	66
3.4.5 No specific organization for retirement policy	67
3.4.6 Qualifying conditions.....	67
3.4.7 Same Rules for all Departments	67
3.5 Findings.....	68
4 CHAPTER FOUR-	69
CONCLUSION AND RECOMMENDATIONS	69



4.1	Conclusion.....	70
4.2	Recommendations	71
5	Appendix	73
	References.....	74



Executive Summary

The US Government is very sensible and conscious about the right of the retired people and the financial Security of them. The IRS (internal Revenue Service) and the DOL (Department of Labor) provides guidelines for the employer to manage the retirement benefit plan to give their employee retirement benefit which is known as “**Plan**” in the retirement industry. They also gave tax saving advantage by maintaining the plan according to IRS & Dol guideline. Failure to comply with the regulations will result in disqualification of the plan and it will be subject to penalties.

To promote the physical, financial and mental well-being of employees and their families, employers routinely offer benefits such as health and life insurance, vacation period, disability income and retirement plans. The US government is acutely aware and sincere about protecting the right of the retired people and securing them financially in retired life. The retirement plan also helps the employer to have Tax savings on the profit of the organization if he maintains the method according to IRS & DOL guidelines. Failure to comply with the regulations will result in disqualification of the plan, and it will be subject to penalties. It's costly for an organization to maintain the activities of a retirement plan. So the organization outsources the business to a third party which is also known as the third-party administrator. The data path is an outsourcing company which processes the activities of a retirement plan. This report is mainly focused on the comparative study on retirement plan between the United States and Bangladesh. The significant finding is that USA's retirement policy gives more emphasis on the pension plan. Every organization follows the government-sanctioned plan. But in Bangladesh government does not do that, on the other hand, our government has the insufficient amount.

CHAPTER ONE-

INTRODUCTION



1.1 Introduction

Outsourcing involves the transfer of the management and/or day-to-day execution of an entire business function to an external service provider. There is a contract between Supplier Company and client regarding transferred service. Under the agreement the supplier acquires the means of production in the form of a transfer of people, assets and other resources from the client. The client agrees to procure the services from the supplier for the term of the contract. Off shoring is the transfer of an organizational function to another country, regardless of whether the work is outsourced or stays within the same corporation/company. Bangladesh is the new uprising market for outsourcing. New markets and has a potential advantage in cheap labor, Low wage rate and the output of knowable worker is easy to transfer. Since it is still an untapped market in the outsourcing sector we foresee not only to gain competitive advantage but also hope to achieve market leadership in the outsourcing sector here. In today's cost-conscious, results-driven business world, more companies are staying agile by turning to outsourcing as a tool to save time and costs, while assuring revenue growth.

Jim Hudson began his retirement plan specialization in the early 1980s while pursuing his career as a Certified Public Accountant. During this time, Jim became known as a specialist in this highly technical field. He was directly responsible for developing and managing a large retirement plan practice before founding July in 1994. Data path is the reliable organization for its parent company July business services. At the beginning it was providing supportive operations for July. Then this company hired the talented employees to work for the July Services. In the beginning years it had less than 10 employees. Now 70 incumbents are working here with their brilliant appreciation.

July Business Service is a professional services firm committed to delivering focused retirement plan and other administrative services to business clients. Our Experts provide hand on solutions for plan implementation and Ongoing Plan operation. We have many years of experience in dealing with small to large corporation in the competitive global market. Begins its work in 1995 in a tiny professional area. Its marketing Endeavor has built a strong relationship with different types of companies like brokerage, mutual investment, banks. By



the end of 1996, July had more than 250 retirement plan clients and 5 employees. July delivers exceptional service with uncompromising accuracy to approximately 3,000 clients in all 50 states. It currently serves more than 3,900 Retirement Plans in 48 states and to do these plans on a timely and efficient manner it included complete Plan administration outsourcing for national retirement plan providers, including conversions of large numbers of existing client relationships. Data-Path is working as Branch Office to give the full working support to July Business Services to meet its goal successfully.

1.2 Origin of the Study

It's so much important for student to link theoretical knowledge with practical experience. Internship program gives students opportunity to learn from the real business arena. The report "**Comparative Study on Retirement Plan between Bangladesh and the United States of America (USA)**" is to fulfill my requirement for internship program.

While as a student of BBA program I got this opportunity to involve myself into the professional field of US retirement industry Data path. Data path gave me that opportunity to involve in the professional field and opportunity to complete my internship program. During the period I have learned important issues regarding US retirement plan industry, the rules & regulations that guides it and the process of preparing year end retirement plan reports.

My supervisor Mr. Md. Kaium Hossain has authorized me to prepare an internship report on Comparative Study on Retirement Plan between United States and Bangladesh. He authorized me and gave me a guideline throughout the semester what is the effective method of preparing an internship report to have a practical concept about an existing company's activity.

1.3 Purpose of the Study

The retirement benefit system in Bangladesh is not so organized both in the public sector and also in the private sector. The government rules and regulations are not well organized to protect the employee benefit. Their employees are not aware about their retirement benefit.



The regulatory body to protect the employee benefit is not taking the necessary steps to protect the employee right and benefit.

Population has become a major concern for Bangladesh. Like other Developing countries In view of the size of population, scarcity of resources, existing poverty, insufficient health facilities and absence of social security, retired sector is going to be a major problem in Bangladesh. The Elderly are out of the demographic result. Bangladesh benefits system needs to be more organized both in public and private sector. It's very important to work on that because the employee doesn't know about their right. The rules regarding the employer contribution is not up to date with the time. The nature of retirement benefit is not specifically defined or determined in the private sector whether the benefit will be the defined benefit or the defend contribution. No specific plan for describing Old security to their employee.

To gain tax benefit advantage and to attract employees most of the organizations adopt retirement plan. The rules and regulations and the reporting procedure of American retirement plan are very complex Since the American government is very sincere in protecting the right of their retired people.

The awareness of US government on protecting the privileges of the retired people is very high and in retired life govt. makes them financially secured. To expand the tax benefit advantages and to draw the attention of employees many organizations implement retirement plan. It's very complex for US companies to understand so they rely on third party administration. This difficult nature of the work makes it more difficult to train new employees to prepare allocation reports. Both the trainees and the trainers face different problems during and after training period.

1.4 Objective of the Study

In a broad sense the objective of this report is to give an idea about the Retirement Plan Industry of United States of America and the rules and regulations that guides this industry.

1.4.1 Broad Objective

- To make a comparison on retirement plan between Bangladesh and the United States of America (USA).

1.4.2 Specific Objectives

- To acquire a clear knowledge about all the division and departments of Data Path Ltd.
- To get detail idea of about Relies, TPA, FT William and other software and websites related to the retirement plan.
- Gather knowledge and implement those ideas to improve the retirement benefit sector in Bangladesh.
- The problems involved in training new employees.
- Ways to overcome those problems.

1.5 Methodology

1.5.1 Primary Sources:

- Observation of the assigned department.
- Face to face conversation with the respective employers of the department.
- Information from employees.
- Self-experience.

1.5.2 Secondary Sources:

- Various articles, collection, internet.
- Data path employee Handbook.
- Data path and July business handbook.
- ERISA online CD.

1.6 Limitations of Study

- Due to confidentiality, some related information and examples are not included. like, the Social Security Number (SSN) of the participant, how much is their compensation, how much they defer, to provide employer contribution or profit sharing which formula the client or employer follows. It is strictly prohibited to bring any official documents or clients' data outside of office space.
- Most of the materials are collected from the secondary sources and the validity of the data is questionable in some cases. Not all terms are the ad same as we have learned. It varies plan to plan. Sometimes same rules define different meanings.
- Due to work pressure it was difficult to get enough time from interviewees to gather information from them.
- As the congress changes rules and regulation regarding Policy and Economy So the Element Regarding Retirement plan changes year to year.

2 . CHAPTER TWO- ORGANIZATION



2.1 Company Profile

2.1.1 Getting Started

Data-path Limited is a registered outsourcing company owned by Jim Hudson and John Humphrey. July Business Services is the mother company of Data path Ltd. July Business Service Basically work on providing Retirement plan and other Services to Business Client. It works closely with employers and financial partners to build customized services to meet their unique goals. Its consultants provide hands-on solutions for plan implementation and ongoing plan operation. It has many years of industry experience with clients ranging from small, closely-held businesses to large corporations competing in the global economy. July Business Services is one of the leading names in retirement plan industry in U.S.A. Data-path Limited was established in 2005 with a small office at Uttora, with very limited operations. At the beginning it was providing supportive operations for July. In the early days it worked to hire talented employees who can understand the work. In the beginning years it had less than 10 employees.

July Business Services began operations in 1995, with no clients and a small professional office suite. By the end of 1996, July had more than 250 retirement plan clients and 5 employees. We Work closely with employee financial partners to meet Customized Service to meet their unique goals. The firms marketing Efforts Resulted in Important relationship, Including investment advisor, mutual fund, banks, brokerage firms. It has 3000 clients in all 50 states.



2.1.2 Vision

It has to become the Best Retirement plan administrator in USA.

2.1.3 Mission

Is to provide financial advisor and plan sponsors the power for giving the perfect Solution that best meets the goals of business owners and client by providing refreshingly responsive, unbiased, reliable plan design, administration, recordkeeping and consulting that encourages saving for retirement.’

2.1.4 Core Value

It’s Encourages Behavior through the Company that will help us fulfill our mission vision. The Core Values are Accountability, Celebrating Success with employees, Commitment to excellence, Commitment to people, Creative Solution, Effective communication, Embrace Diversity

2.1.5 Building team

From 2008 through 2016, Data Path experienced an increased growth rate and added a number of key employees and partnerships. During this time, company management accomplished the following key objectives:

- Developed Foundation for Employee Culture.
- Improved Efficiency of Service Delivery.
- Implemented New Business Team.
- Created Client Consulting Teams.
- Created ERISA Consulting Team.



- Created Dedicated Distribution Team.
- Created efficient Software Development Team.

2.1.6 Building Strategic partnership

Our key financial partners are American funds, MFS, Mercantile, Hartford, ING, Manulife, and others. These relationships continue to benefit Data-Path clients by providing them with diversified investment options and automated plan recordkeeping services. By the end of 2000, Data-Path served more than 600 retirement plan clients and had approximately 15 employees.

2.1.7 Recent History: Expanding Services

Since 2000, July has continued to experience an increased rate of growth and has maintained good client retention statistics resulting from our efficient service, depth of technical knowledge, and friendly service team. The employee-friendly culture has created low turnover and high employee satisfaction. Other significant accomplishments since 2000 include the following:

- Expanded Office Facilities
- Expanded Employee Training Program
- Improved Technology with Added IT Staff
- Added Dedicated Sales Department
- Started Daily Recordkeeping Services
- Opened Dallas & Houston Offices
- Started Payroll Outsourcing Services
- Started Cafeteria Plan Administration Services

2.2 Services

July Business Services and on their behalf Data-path Limited is providing the following services to its US business clients

- **Plan Design**
- **Plan Setup**
- **Plan Administration**
- **Participant Services**

2.2.1 Plan Design

It creates retirement plans to meet the unique goals of each employer. Whether the objective is employee recruitment and retention or maximizing benefits for key employees, it has the expertise to design the best plan for clients.

2.2.2 Plan Setup

It provides all of the services to efficiently setup retirement plan or to convert existing plan from current provider.

2.2.2.1 Plan Document

It offers different types of plan documents Prepared by Erisa and the Capabilities include

- Prototype plan document
- Volume Submitter Documents
- Summary Plan Descriptions
- Loan Policies
- QDRO Procedure
- Other Required Forms



2.2.2.2 Plan Setup & Conversion

Data-path's dedicated setup team provides hands-on services to coordinate all aspects of plan setup or conversion. Our services include:

- Prepare Enrollment Materials
- Coordinate Enrollment Meetings
- Prepare Setup Paperwork
- Contribution Submission Procedures
- Coordinate Transfer of Assets
- Prepare Letter to Previous Provider
- Coordinate Information Needed for Takeover

2.2.2.3 Plan administration

Dp Provides Consultants have 3 years of plan administration Experience and are expert in highly technical field. The dedicated account representatives serves Client according to a plan of Experience Supportive Professional.

2.2.2.4 Plan operation Support

It provides everything client needs to maximize the value of plan, including telephone and e-mail access to its consultants. Its services include the following:

- Eligibility Calculations
- Contribution Allocations
- Vesting Calculations
- Distribution & Loan Processing

2.2.2.5 Compliance Testing

Its account representative provides complete compliance testing services to maintain the integrity of client's plan. Its testing services include the following

- Top Heavy Testing
- ADP & ACP Testing
- Minimum Coverage Testing
- General Nondiscrimination Testing

2.2.2.6 Tax Compliance

Data-path's consultants deliver signature-ready tax returns to fulfill all tax filing requirements. Its services include the following:

- Form 5500
- Form 1099-R & Form 945
- Form 5330 (when needed)
- Form 5310 (for plan termination)

2.2.2.7 Recordkeeping

Data path recordkeeping provide services under Julys daily valuation Recordkeeping Platform with their aliance Partner.The services Aare 24 hours internet, Daily valuation account, Plan sponsor account access, quarterly participant statement.

2.2.2.8 Paticipant services

Through its alliance partnerships with financial providers, July makes available high quality tools for participants to plan for and achieve a secure financial future.

2.2.2.9 Enrollment material

July as well as Data-path provides professional enrollment materials to guide participants in making enrollment and investment decisions These Material are following

- Enrollment Workbooks
- Investment Education
- Risk Profile Worksheet
- Investment Fact Sheets
- Enrollment Forms

2.2.2.10 Investment Advice

Many of the retirement products also include participant to online leading and advice .This facility increase their chances of achieving a secure financial Future. Which can reduce Plan sponsor fiduciary liability which is plan sponsor?

Here in Bangladesh, Data path provides all the administrative work for July Business Services and submitted the softcopy of all of its work through its own trusted network.

2.3 Organizational Structure



2.4 Organizational Activities



The Employee Retirement Income Security Act of 1974 (ERISA) was signed into law on employee benefit plan and literally wrote the framework upon which subsequent employee benefit legislation has been built. Often, references to ERISA encompass not just the legislation enacted in 1974, but the body of legislation that followed and currently governs employee benefit plans. But today retirement Plan faces lots of challenges they must have to know the difference between qualification requirement and plan administration keeping it up to date Explain the evolving rule and consequences September 2, 1974. It established an elaborate system of regulations covering virtually every.

Today's Retirement plan professional must meet several challenges they have to understand thoroughly the complexities and interplay between qualification requirements and plan administration, keep up-to-date with the sometimes chaotic legislative environment, effectively explain the evolving rules and their consequences to plan sponsors and participants and professionally and efficiently implement changes where necessary. Retirement planning begins with the eager of desire economic security. A reduction in earnings upon retirement and intend to offset this reduction with personal savings that supplement employer-sponsored pension benefit plans and governmental programs such as Social Security this is anticipated by employees for social security. Personal savings, employer-sponsored pension benefit plans and Social Security All of this are one unit tool for supporting retiree.

Each tool is not perceived as equally strong. With two of three legs on shaky ground, today the three-legged tool model is being strengthened by the addition of a fourth leg — continued employment. Now many of us interested to continue working past retirement age for being Active, and for increasing the income.

2.5 Defined contribution plan

Its individual account plan where each participant maintained Separate Individual account. These types of plans define the contribution amount to be deposited into the participant's account. These plans are basically contribution amount to be deposited into the participants account. For Example, a plan may provide that every eligible participant will receive an



allocation, or share of the total plan contribution, equal to 5 percent of his or her compensation.

Example, Serena works as a graphic artist for XYZ Corporation and earns \$50,000 during the year. If the plan provides contributions equal to 5% of compensation, Mary will receive an allocation of contribution for the year in the amount of \$2,500 ($\$50,000 \times 5\%$). This amount will be deposited into her individual account under the plan

The participant bears the investment risk in a defined contribution plan because there is no requisite or promised amount paid to the participant at retirement. The total benefit plan accumulated value (total contribution plus total earnings) of the participant's contribution or for Termination. Rather, the employer's defined contributions are the extent of the employer's commitment to the participant's retirement income. In this manner, the participant will reap the rewards of positive investment earnings but also bear the brunt of any investment losses.

Each participant receives Statement of his or her individuals of individual account that displays the participant's share of contributions and plan earnings or losses for the reporting period.

Example; Sample Employee Statement.

The investment related portion of a sample employee statement might look like:

XYZ Corporation Profit Sharing Plan

Statement of Account for the Plan Year Ended December 31, 2007

Participant: Mary

Beginning Account Balance as of January 1, 2007	\$10,000
Employer Contribution	\$2,250
Investment Gains/ (Losses)	\$1,000
Ending Account Balance as of December 31, 2007	\$13,250

2.6 Define Benefit plan

A **defined benefit plan** promises to pay a specified benefit at a future retirement age. Rather than defining the contribution to be allocated into a participant's individual account, these plans define the amount of retirement benefit to be paid. The actual level of benefit is calculated using a formula stated in the plan document. The benefit is usually payable at a specified future time, such as attainment of age 65. Some plan also provide Disability or death of the participant. Define benefit plan usually provide the benefit of the annuity equal payment made after specific interval in monthly or annually. There are other types of annuities which may be employed by a defined benefit plan, for example annuities which extend over the joint lifetimes of a participant and his or her spouse or beneficiary. A defined benefit plans do not maintain a separate account for each participant. All of the assets in the plan are available to pay the benefits promised. Since the promised benefits must be paid regardless of the amount of investment gains or losses, the employer assumes the investment risk.

2.7 Some basic terms

5% Owner: Any person who owns, directly or indirectly, more than 5 percent of the stock of the employer. If the employer is not a corporation, the ownership test is applied to the person's capital or profit interest in the employer

C Corporation: An entity formed by business associates to conduct a business venture and divide profits among investors. It files a charter or articles of incorporation in a state, draws up bylaws, issues stock, and has its affairs managed by a board of directors.

Common control all employees of Corporation that are member of a controlled group are treated as a single employee by a single group. A comparable requirement applies to partnership sole proprietorship under common control for plan qualification.

Common Control: All employees of corporations that are members of a controlled group of corporations are treated as employed by a single employer for purposes of plan qualification.



A comparable requirement applies to partnerships, sole proprietorships and other businesses under common control.

Controlled Group: The three types of controlled groups are (1) the parent subsidiary controlled group, (2) the brother-sister controlled group, and (3) the combined group. All employees of the corporations that are members of a controlled group of corporations are treated as employed by a single employer for plan qualification purposes

Corporation An entity formed by business associates to conduct a professional venture and divide profits among investors. It files a charter or articles of incorporation within a state or states, and consequently becomes subject to the laws of those states as well as federal law.

Custodian the organization that holds in Safekeeping the Securities and other asset of plan.

Fiduciary: Any person (individual or corporation) who exercises discretionary authority or control over the management or disposition of plan assets, renders investment advice for a fee or has discretionary authority or responsibility for the plan administration.

Limited Liability Company (LLC): Created under state laws governing their formation. These entities offer limited liability to their members but are generally taxed as partnerships and not corporations.

Limited liability partnership(LLP):Created under state laws Governing their formation.which offer limited liability to partner.

Named Fiduciary: A fiduciary that is named in the plan instrument or identified through a procedure set forth in the plan. One of the distinguishing features of the named fiduciary is that the person has the authority to designate others to carry out fiduciary responsibilities (e.g., invest the plan funds).

Named Fiduciary: A fiduciary that is named in the plan instrument or identified through a procedure set forth in the plan. One of the distinguishing features of the named fiduciary is that the person has the authority to designate others to carry out fiduciary responsibilities (e.g., invest the plan funds).

Partnership: Partners are taxed as individual taxpayers as a partnership is not taxable as a separate entity. The treatment of liability for the debts of the partnership, including required contributions to the qualified plans, is passed through the partnership to the individual partners.

Party in interest: An Erisa term Used to identify Individual When applying the prohibited transaction.

Prohibited Transaction: Specified transactions that may not be entered into (directly or indirectly) by a party-in-interest with the plan. Those include, for example, sales or exchanges, leases, and loans between the parties. The DOL has exempted specific transactions from the prohibited transaction restriction.

Plan Administrator: A person, group or entity specifically designated in the plan document as responsible for managing the day-to-day activities of the plan.

Plan Sponsor: The entity that establishes the plan. Note that the terms employer and plan sponsor are frequently used interchangeably, but are separate concepts.

Retirement Plan Administrator: A person, group or entity hired, usually by the plan administrator, to provide purely ministerial services to the plan.

2.8 Types of Defined Contribution Plans

There are different types of contribution plan. These are Following

- Profit Sharing and 401(k) Plans;
- SIMPLE Plans;
- Money Purchase;
- Stock Bonus and Employee Stock Ownership Plans; and
- Other types of tax-advantaged arrangements.

2.9 Profit Sharing Plans

Through this plan employee rewarded with a share of employee revenue. Generates from Effort. The employer may exercise discretion over the amount contributed to the plan each year and need not base the contribution on actual profits. The employer may exercise changes over the amount contributed to the plan each year and no need to base on actual profits.

Example: suppose an employer Contribute 25000 to its profit sharing plan. The allocation says that a participant Will Share in the contribution according to their Compensation. If the some of Compensation. if the sum for all Compensation and plan participate to share in the profit sharing Contribution it is 250000 the participant will allocate 10% which is 25000.

Thus, an employer often selects a profit sharing plan for its employees because it can determine each year how much to contribute to the plan based on its financial condition. The employer may decide not to make a contribution for a particular year should the business climate be less than fruitful with little or no profits, or when the income is needed for other business expenses.

Although Employer has no fixed annual Contribution Commitment under a profit Sharing plan it is recurring and substantial for preventing it from terminated. . Although the employer can choose the amount of the profit sharing contribution each year, the maximum amount the employer can deduct on its tax return is 25% of the total eligible compensation of all participants

2.10 401K Plan

In order to encourage employees to actively save for their retirement and to utilize of and appreciation for employer plans, today numerous employers are sponsoring the very popular salary deferral plan as described under Internal Revenue Code Section 401(k). Having the perhaps dubious distinction of being more commonly and widely known by its Internal Revenue Code Section number than its descriptive name, this type of profit sharing plan with a qualified cash or deferred salary arrangement (CODA) is referred to by the public and practitioner alike as alike 401K plan .

There are several types of contributions in 401(K) Plan

2.10.1 Elective Deferral:

401K Features of a profit sharing plan give permission to employee to elect to defer their compensation into the 401K plan on pretax basis instead of receivable taxable income. This is known as Employee Elective deferrals, elective contributions, employee salary deferrals, elective deferrals, or simply salary deferrals. Generally we will refer this as elective deferrals. These deferrals reduce taxable income and states income tax purposes. It Does not Reduces Compensation for social Security taxes(FICA) or Federal unemployment Taxes (FUTA).

Each employee is subject under IRC §402(g) to a personal limit regarding the total amount the employee can contribute as elective deferrals to all 401(k) plans in which the employee Participate in a year once. For example if an individual work with two bosses in a year. And contributed into each employer 401K Plan, the limit would apply to the individual's combined elective deferrals into both employers' plans for that calendar year. As such, the limit is not specific to the plan but rather is specific to the individual. This maximum elective deferral amount is sometimes called the 402(g) dollar limit or just the 402(g) limit. According to IRC the limit of Elective deferral is fixed for cost of living increases through the procedure Called indexing. For 2007, \$15,500 is the maximum elective deferral amount that an individual can contribute into all 401(k) plans under which the individual is eligible to participate during the 2007 calendar year.

2.10.2 Catch up contributions

Its basically one kind of Elective deferrals that can only made by certain older Plan Applicants. In order to make a catch up contribution for a calendar year participant must have to be at age 50. Catch-up contributions have been allowed in recognition of changing social times and the increasing importance of the employer-sponsored retirement plan leg of the three-legged stool. Catch-up contributions are elective deferrals that exceed an applicable deferral limit. Therefore, an elective deferral is classified as a catch-up contribution when the participant who is catch-up eligible has reached a limit in the law or in the plan.



The deferred and Maximum amount allowed by the revenue code is basically a Catch up contribution. such as the maximum elective deferral limit discussed above. Another event would be reaching a limit imposed by the plan itself, such as a plan provision which prohibits a participant deferring from 10%.

Participant can differ according to limit into 401k plan. It allows participant catch up consent financially according to limit.

Example; Plan Limit. SUSAN, age 52, earned \$50,000. The plan has a 10% limit on the percent of compensation that can be deferred. Thus, SUSAN can contribute a \$5,000 maximum elective deferral and a catch-up contribution of another \$5,000 for 2007.

2.10.3 Designing roth Contribution

A 401(k) plan may accept designated Roth contributions. This is another option employees can use to save for their retirement. Designated Roth contributions are considered elective deferral made on after tax basis to a 401K or 403b plan. The earnings generated by the designated Roth contributions are tax free when distributed if the distribution is made after the participant is age 59½, and the contribution happened after five years of roth contribution Under the 401(k) plan.

A participant In a plan that allows designated roth Contribution will have the opportunity to designate that elective deferrals are roth contribution, pre tax deferrals or a Combination.

The designated Roth contributions are subject to the same limit as pre-tax elective deferrals. The designated Roth contribution plus the pre-tax elective deferrals together cannot exceed \$15,500 (as indexed for 2007). catch up eligible may make additional 5000 as a elective deferral, or a contribution, or a combination. An Addition Account will be set in 401K Plan to track the Designed roth contribution Separately from any other tax free non roth Contribution.

2.10.4 Matching Contribution

In relation with elective deferral to encourage participant to defer at a higher level into 401K plan the employer may choose to make matching that match with employees pre tax elective deferrals and designated roth contribution.

For example, an employer may contribute 50% (or match \$.50 for each \$1.00 deferred) up to the first 6% of compensation the employee defers to the 401(k) plan. In this example, the employer knows its maximum cost for matching contributions to the 401(k) plan is 3% of the compensation of eligible participants (50% of 6% of compensation) and can make the appropriate budget provisions for paying the employer match into the plan.

Example; Matching Contribution. George earns \$25,000 and defers \$2,500 into his company retirement plan. Using the above formula, George will receive an employer matching contribution of \$750 (the lesser of $\$2,500 \times 50\%$ or $\$25,000 \times 6\% \times 50\%$).

2.10.5 Nonselective Contribution

Since the CODA or 401(k) arrangement is actually a feature of a profit sharing plan, the employer also may elect to make a discretionary contribution under the profit sharing provisions of the plan. All employer contributions to 401(k) plans, other than elective deferrals and matching contributions are known as nonelective contributions.

Employer non-Elective Contribution are Subject to nondiscrimination rules of Testing Rules under the Internal revenue code to demonstrate that they do not provide Disproportionately provide greater benefit to highly compensate people, it includes owner and highly paid employee.

Elective deferrals, designated Roth contributions, employer matching contributions, and any after-tax employee contributions to the plan, if allowed, must also comply with special nondiscrimination rules.

2.10.6 Simple plans

Savings Incentive Match Plans for Employees (SIMPLEs) are designed to address the needs of small businesses and intended to simplify qualified plan administration for their sponsors. A Simple is the only plan Sponsored by the employer With 100 or Fewer Employees may utilize SIMPLES All Simple plans Exempt from Discrimination testing that helps employer to make contribution.

2.11 Money Purchase plan

From the participant's perspective, a money purchase plan looks very similar to a profit sharing plan in that both are individual account plans. An employer May Decide what level of profit Allocation The specific contribution formula is written into the plan document, and the contribution is required to be made under the minimum funding requirement of IRC 412. Failure to meet contribution will result in a 10% precise tax on the amount contributed the minimum Deficiency and payable by the employer. . This amount is in addition to the required money purchase contribution.

Therefore, in designing a money purchase plan contribution formula, employers must be confident that they will be able to contribute the required amount on an on-going basis and should set the contribution level accordingly. For Minimum Funding purpose the Contribution is Generally Due 8.5 months after close of the plan year. deadline may be different.

In most money purchase plan the allocation formula is same. But, they do not have to be the same. For example, the contribution formula might be 5% of the total eligible compensation of all plan participants. Once the dollar amount of the contribution for the year has been determined, it could be allocated to the participants based on their age and service years, or in such a manner as to consider the Social Security taxes an employer pays on behalf of a participant.

Example; Money Purchase Allocation. Sam earns \$30,000 from ABC Company, sponsor of a money purchase plan that contains a contribution formula of 10% of eligible compensation.



The plan's allocation formula is the same as the contribution formula. Sam's required allocation for the year would be $\$30,000 \times 10\% = \$3,000$.

The Employer Contribution formula generally will not surpass 25% of Compensation, as that is the maximum deduction limit for the employer. At this point, an employee may ask why an employer should choose a money purchase plan, which would lock them into making a required and fixed level of contribution yearly. When profit sharing has a 25% maximum Deduction limit and offers flexibility in determining the amount of contribution to be made each year, a first supportive argument is offered by the current and potential employer, who will decide that they will take this or not regularly money Purchase Contribution Allocation into their accounts rather than profit sharing uncertainties regarding contribution. Which can also be Designed with a Fixed Contribution requirement.

Setting workforce considerations aside, part of the answer to the money purchase versus profit sharing debate is historical in nature. Prior to 2002, profit sharing plans were subject to a maximum deduction limit of 15% of eligible compensation. Therefore, if an employer wished to contribute and deduct more than 15% of compensation and did not desire a defined benefit plan, that employer typically chose a money purchase plan design or a money purchase plan with a low, affordable fixed contribution amount in tandem with a profit sharing plan that would provide additional contribution flexibility up to the overall 25% of compensation maximum deduction limit.

It can highest achieve 25% of Deduction Limit, where the usefulness of purchase plan is diminished, And Accordingly many of them have Since terminated merged into profit sharing plans to generate an additional savings for one plan rather than two.

2.12 Stock plan

2.12.1 Stock Bonus plan

A stock bonus plan is a profit sharing plan that generally distributes shares of company stock as benefits to terminated or retired participants. As a profit sharing plan type, stock bonus plans are allowed to have discretionary contribution formulas, and employers have the option

of contributing in the form of cash or company stock. When cash contributions are made to the plan, they are normally then used to purchase company stock under the plan. If the company stock is not a public stock that may be traded on the open market, participants receiving distributions have the right to sell their shares back to the company for cash at specified times as determined by the company.

2.12.2 Employee Stock ownership plan

An employee stock ownership plan (ESOP) may be either a stock bonus plan, with a discretionary contribution formula, or a combination stock bonus and money purchase plan, wherein the required minimum funding amount is intended to be contributed in the form of or used to purchase company stock. A portion of a plan, such as an employer stock investment within the 401(k) feature of a profit sharing plan, also may be designated as an ESOP. To qualify as an ESOP, a plan or portion of a plan must be designed to be invested primarily in the stock of the employer (primarily is generally interpreted to mean a more than 50% investment).

The main Difference between A traditional stock and a Stock Bonus plan Which has been establish As an Esop lies in the Esops ability to borrow money. It represent the Collateral on the Esop loan.AS the Employer Contributes to the Esop its uses as loan repayment After the payments Those share released from the Status as loan Collateral Are Allocated to the individuals ESOP Account of the participant

What is Allocation

An allocation is an annual project that a third party administrator completes for a retirement plan client.This is allocation Because the financial transaction(Contribution, Investment earnings, Distribution etc) in the plan are allocated to the individual participant accounts.This project consists of a set of reports containing the following:

- **Census Reports** – The census reports provide details on each employee and show their status for eligibility in the plan, plan entry dates, years of service for vesting, salary, and other important information.



- **Contribution Report** – The contribution report provides details of the amounts contributed by and allocated to each of the eligible plan participants.
- **Summary of Accounts** – This report shows a summary of the transactions of each of the participants retirement accounts for the year. This summary includes contributions, distributions, transfers among investments, and investment gains and losses.
- **Trust Accounting** – This report shows a plan-level summary of the transactions for the plan as a whole.
- **Compliance Tests** – The report also contains several important tests that document the plan's compliance with certain IRS Regulations. Plans must pass these tests to retain their tax-favored status.

2.13 Prerequisite for completing allocation projects

These procedures are only meant to serve as guidelines for completing allocation projects. Before Data path employees are allowed to complete allocation projects, they must complete coursework offered by the American Society of Pension Professionals and Actuaries (ASPPA), including RPF1 and RPF2.

2.13.1 STEP 1 PROJECT ASSESSMENT AND PREPARATION

This is the first and preliminary step of preparing allocation Report. Prior year report and plan document come from AX, compliance questionnaire is printed from TPA manager. Then Contribution instructions of last year is reviewed, also it is checked that whether the plan was Top heavy last year or whether the plan failed ADP/ACP test last year and corrective actions were required.



2.13.1.1 GATHER/REVIEW PROJECT INFORMATION

To Complete the project plan we must have to Gather project Information from our Client .Data path has a Workflow Department in Charge of gathering all project data and After It is reviewd Before Assigned to a Consultant or Plan administrator, it should also be thoroughly reviewed by again by the employee completing the project. Receiving accurate data from the client is the cornerstone of completing accurate work. The following information are requested for completing the projects:

- Employee Census Data
- Compliance Checklist
- Investment Statement of Recordkeeper Download
- Sighned Service Agreement

Employee Census Data

Employee census data consists of employee names, social security numbers, date of birth, date of hire, employee compensation, hours worked, and other important data about the employee. Datapath requests most of the census data from the client in an electronic format (usually Microsoft Excel), but some of the items are requested separately. Below is a list of the information Plan Administrator request from clients.

Compliance Checklist

The Compliance Uses to help the plan administrator Meet Certain Regulatory and compliance and to understand and their client.Checlist is requested with Census data request.That various Kind of the Compliance Checklist Along with Information is given Below

Contact Information



Plan Administrator uses this information to ensure he/she is working with the correct parties.

COMPLIANCE CHECKLIST

PERIOD ENDED 12/31/2006

ACB AMERICAN, INC. 401(K) PROFIT SHARING PLAN

Note: This checklist provides us with data required for properly administering your retirement plan. To help us maintain the qualified status of your plan, it is important that this information be completed by someone with access to corporate information and employee salary and census data.

I. CONTACT INFORMATION

PRIMARY CONTACT (responsible for signing legal documents, usually an officer of the company)
 Ms. Susan Faeth, ACB American, Inc., 823 Scott Boulevard, Covington, Kentucky 41011
 Phone: (859) 261-8745 Fax: (859) 261-2649 Email: srfath@aol.com

DAY-TO-DAY CONTACT (will receive all correspondence, including tax returns and other compliance testing information)
 Ms. Susan Faeth, ACB American, Inc., 823 Scott Boulevard, Covington, Kentucky 41011
 Phone: (859) 261-8745 Fax: (859) 261-2649 Email: srfath@aol.com

CENSUS CONTACT (provides employee census data)
 Check if same as Day-To-Day Contact
 Name: Ms. Penne Fitzwater, Company: ACB American, Inc., Address: 823 Scott Street, Covington, Kentucky 41011, Phone: (859) 261-8745, Fax: (859) 261-2649, Email: Penne.Fitzwater@acbamerican.com

PAYROLL PROVIDER

INVESTMENT ADVISOR (attach additional sheet if necessary)
 Name: Ms. Sandy Oberschlake, Company: FNB Third Bank, Address: 5100 Bluegrass Pike, Florence, Kentucky 41042, Phone: (859) 265-8824, Fax: (859) 263-6080, Email: Sandy.Oberschlake@fns.com

ACCOUNTANT

If information has changed, the Datapath workflow department updates TPA Manager and Relius Administration to reflect the changes. Datapath Consultants should also ensure that systems are up-to-date and that correspondence reflects any changes.

2.13.2 Contribution Information

This section of the Checklist is used to assist in understanding client goals for completing the allocations. Additional information is given below.

II. CONTRIBUTION INFORMATION			
401(K) SALARY DEFERRALS <i>(Non-401(k) Plans, skip to profit sharing below)</i>			
• Provide total 401(k) deferrals as reflected on employees' W-2 for the year or period.			\$
• Did you have deposits in-transit at the end of the period? (i.e., salary deferrals or matching contributions withheld from payroll before the end of the period that were not reflected on the investment statements until after the end of the period)			<input type="checkbox"/> Yes <input type="checkbox"/> No
	Date Funded	Amount	
• If yes, please provide deposit-in transit amounts:	Salary Deferrals	/ /	\$
	Matching	/ /	\$
401(K) MATCHING CONTRIBUTIONS <i>(Non-401(k) Plans, skip to profit sharing below)</i>			
• Have you made 401(k) matching contributions each payroll during the plan year or period?			<input type="checkbox"/> Yes <input type="checkbox"/> No
• If yes, provide: (1) Amount: \$ _____ or _____			
(2) Formula: _____ % of deferrals, limited to _____ % of Salary			
• Do you plan on making additional matching contributions for the plan year or period?			<input type="checkbox"/> Yes <input type="checkbox"/> No
• If yes, provide: (1) Amount: \$ _____ or _____			
(2) Formula: _____ % of deferrals, limited to _____ % of Salary			
SAFE HARBOR 401(K) CONTRIBUTIONS <i>(Non-Safe Harbor 401(k) Plans, skip to profit sharing below)</i>			
• Are you making a Safe Harbor contribution for the current plan year or period?			<input type="checkbox"/> Yes <input type="checkbox"/> No
• If yes, provide: (1) Frequency: <input type="checkbox"/> Each Payroll <input type="checkbox"/> Year-end			
(2) Formula: <input type="checkbox"/> 3% Non-elective <input type="checkbox"/> _____ % Enhanced Match up to _____ % of salary			
<input type="checkbox"/> Basic Match (100% up to 3% of salary, plus 50% between 3% and 5%)			
PROFIT SHARING CONTRIBUTIONS <i>(Including 401(k) Plans)</i>			
• Are you making a profit sharing contribution for the current plan year or period?			<input type="checkbox"/> Yes <input type="checkbox"/> No
• If yes, provide amount:			\$
• Would you like us to calculate the maximum contribution?			<input type="checkbox"/> Yes <input type="checkbox"/> No
• If yes, please provide the date on which you funded or intend to fund the contribution.			/ /

401(K) Salary Deferrals

These questions help to Ensure accuracy in Reconcile total salary deferral. This should be linked up to total Salary Deferrals on the Census, Contribution, and Summary of Accounts-Plan total reports.

- **Deposits in Transit** – This shows salary deferral and matching deposits attributable to the current plan year that may not have been deposited or invested in the plan's investment accounts until the following plan year. This should provide a good starting point for reconciling deferrals and matching contributions, which provide good beginning points for Reconciling Deferrals And matching Contributions.



- **401(k) Matching Contributions** – These questions help Plan Administrator determine whether the client has made contributions throughout the year or if he/she should calculate Matching Contributions on the allocations reports.
- **Safe Harbor 401(k) Contributions** – These questions provide information about Safe Harbor Contributions and should be consistent with the plan document.
- **Profit Sharing Contributions** – These questions help Plan Administrator to determine if the client wishes to fund an employer discretionary or profit sharing contribution and the amount of the contribution.

2.13.3 ERISA Compliance Information

The information in this section is used to ensure compliance with various ERISA rules and requirements. Answers are used to assist with both the allocation and Form 5500 projects.

- **Fidelity Bond**-All planes are required to obtain Fidelity Bond Coverage Protecting Plan assets from employee Fraud and theft.The Amount of Coverage
- **Late Deferrals** – Special rules apply to the employer for the timing of depositing and investing 401(k) salary deferrals. If the answer to this question is “no” the client is required to pay an excise tax and File IRS Form 5330 to pay the tax.
- **Leased Employees** – Special eligibility and coverage rules apply to employees that are classified as “Leased Employees”. If a company has leased employees Plan Administrator must ensure these rules are properly followed and ensure proper disclosures are made on IRS Form 5500.
- **Rehired Employees** - Special eligibility and Coverage Rules apply to Employees that are Classified terminate employment and later rehired.so it’s difficult to obtain data for plan administrator for identify rehire. If the answer is yes he or she should look to Ensure about proper Census Information its coded properly in Relius.
- **New Participants** - When allocating profit sharing contributions, some employers elect to exclude compensation of new participants prior to the time they became eligible (i.e., if they became eligible during the current plan year). Plan Administrator must obtain this “excluded” compensation and code it into Relius



Administration prior to calculating eligibility. This question helps Plan Administrator obtain the correct information.

- **New Participants** - When Allocating Profit Sharing Contribution, Some Employers elect to Exclude Compensation of New Participant prior to the time became eligible. Plan administration must exclude compensation and code into Relius administration.
- **Enrollment Forms** - This question is applicable to Balance Forward plans with participant investment direction. For these plans, if the answer is “yes” Plan Administrator must ensure that allocation forms are reviewed and participant investment instructions and transfers are properly carried out.
- **Plan Amendments** - This helps Plan Administrator identify any amendments to the plan that may not have been prepared by the Data path ERISA department. If the client made plan amendments Plan Administrator should ensure his/her organization has a signed copy and that the amendment is properly coded in Relius Plan Specifications.
- **Others Plan** - Special coverage and testing rules and aggregate contribution limits apply to companies that sponsor multiple qualified plans. If the client sponsors other plans, it is important to ensure these rules are considered and applied.

Highly Compensated Employee and officers

This section helps Plan Administrator in identifying Highly Compensated Employees and Key Employees for purposes of Compliance Testing.

In first column Company will have this data if Plan Administrator prepared the allocation reports in the prior year. Even in cases where he/she prepared the prior year reports it is a good idea to review this information to ensure accuracy. In cases where he/she did not prepare the prior year allocation reports, he/she will use this information for determining Highly Compensated Employees for ADP / ACP Testing and other Compliance Tests using this definition.



And the second column is for the top heavy test. Data path consultants should ensure Checkbox is checked on reinsurance regulatory compliance form for each of the corporate officer when the transaction is posted reinsurance Administration Uses the Officer field to determine Which Employees meet the Definition of key employees.

Ownership information

The ownership structure of a business has a significant impact on the setup and operation of a retirement plan and can impact the plan's tax qualified status. Because of this Datapath requests each client to provide updates on ownership and ownership changes on the annual Compliance Checklist. Data path Consultants should review this information carefully and consider the impact of any ownership changes

Family Members - Certain family members are deemed to be company owners for purposes of ERISA rules and regulations. The listing of family members helps Datapath Consultants determine attributed ownership which is used in determining Highly Compensated Employees.

Other Ownership – Special coverage and eligibility rules apply to certain Controlled Groups of Companies. These questions help Plan Administrator determine and identify if a Controlled Group exists. Datapath Consultants should review this information and discuss relevant rules with the client.

Review Prior Year allocation Report

Spending A few minute reviewing allocation report client letter Executive Summary is Often a Good way to get Familiar With Current year Project. The current year Project will be similar to the prior year. The prior year allocation report can be retrieved through Xtender or web Xtender.

Review Compliance Checklist

One of the primary reasons Datapath requests that clients complete the annual Compliance Checklist is to obtain information about unusual circumstances, goals with respect to funding and allocating contributions, and to identify possible compliance issues. Reviewing the



current year (and prior year) Compliance Checklist will help identify current year goals and project requirement.

Review Plan Document And Amendments

Because the plan document is the legal instrument that controls plan operation it is vital that the Datapath consultant or plan administrator identifies and reviews the current plan document and all plan amendments prior to beginning the allocation project. The plan Document provisions Should be compared to the Relies plan Specification As well. Failing to understand the plan Document Will most Certainly result in Errors.

Review TPA Managers

It is good practice to review the Client Form and Allocation Form for a specific client prior to completing an allocation project. TPA Manager will often contain special notes or instructions for completing the project.

Review Setup file proposal and plan illustration

For new clients where Datapath is preparing the first allocation report, it can be important to review the Setup File for special notes about the plan that could affect the completion of the allocation project.

2.14 STEP 2 Review Plan Document/Relies Plan Specifications

Because the plan document is the legal instrument that controls plan operation it is vital that the Data path consultant or plan administrator identifies and reviews the current plan document and all plan amendments prior to beginning the allocation project. The plan document provisions should be compared to the Relies Plan Specifications to ensure Relius Administration is properly coded. Failing to properly code the Plan Document provisions



into the Relius Plan Specifications will result in errors. Below are screen shots and with important comments on many of the Relies Plan Specifications screens.

Employer and plan data

These screens and fields hold basic information about the employer or plan sponsor and the plan, including plan type, tax ID numbers, and other basic information.

2.14.1 Plan Data

- **Plan ID#** - System generated ID
- **Plan Name** – Should match name in document, Page 1 for Volume Sub and Question 5 in Prototype
- **Plan Type** – Type of plan based on document
- **Sub Plan Type** – Generally none, may choose other option if applicable
- **Other ER Plan** – Completed if the company has another plan; i.e compliance checklist
- **Trust E.I.N.** – Same as Plan E.I.N.
- **Admin Name** – Team Leader found in Access

2.14.2 Employer Data

- **Name** – Should match name in document, Page 1 for Volume Sub and Question 1 in Prototype
- **E.I.N.** – Plan document (Question 2 – Prototype) or Prior Year Allocation
- **Client file #** - System generated
- **Prior Year HCE Must be in TPG** – If plan is Top Paid Group-yes, Question 46
- **Business Code** – Compliance checklist or 5500
- **Fiscal Year End** – Plan document Item 1.22 or Question 4
- **Business Entity** – Check document Item 1.17 or Question 3
- **Business Entity Date** – Enter date of plan if correct date is not known
- **Address Information** – Compliance Checklist or Access

Dates

This screen holds important dates for the plan and company.

- **Initial Effective** – Plan document Page 1 or Question 6
- **Valuation** – Plan Year End Item 1.53 or Question 7
- **Plan Year Begins** – Plan Year End Item 1.53 or Question 7
- **Plan Year Ends** – Plan Year End Item 1.53 or Question 7
- **Comp. Year Begins** – Compensation Year Item 1.8 or Question 27
- **Comp. Year Ends** – Compensation Year Item 1.8 or Question 27
- **Latest Amendment** – Amendment or Document Date, i.e.- Effective Date of either
- **Limitation Year** – The year end of the first day of the plan year.

2.14.3 Compensation

This screen holds information about the plan's definition of compensation as defined in the plan document. This information is used to calculate each participant's compensation for purposes of allocating contributions and for compliance testing.

- **Limited to** – Pulled from table
- **Compensation entered as** – Should be Gross Compensation
- **Compute ideal salaries** – No
- **Estimated gross profit** – 0.00
- **Deferral/ Post Tax %** - Check all
- **Family aggregation** – Always none
- **Compensation check boxes** – Plan doc tem 1.8 or Question Section 3401(a) – Check Salary, Bonus, Commissions, Overtime or W-2 – Check Salary, Bonus, Commissions, Overtime; Either may include deferrals, 403(b) and Cafeteria (indicated in separate paragraph or Question h.1)
- **Prior Comp Excluded** – Plan document Item 1.8 or Question 27.h.3

Plan Specs - (0169010, 12/31/2005) - [Compensation]

File View Activity Window Help

Compensation definition

Limited to: 210,000.00 Table Override

Compensation entered as: Gross compensation

Compute ideal salaries: No

Estimated gross profit: 0.00

Deferral / Post-tax %

- Salary
- Bonus
- Commissions
- Overtime

Family agg. def.

- None
- Pro rata
- Top down

Employer compensation

- Salary
- Bonus
- Commissions
- Overtime
- Deferrals
- 403(b)
- Cafeteria
- Other

Prior comp. excluded:

- None
- Plan entry date

Match compensation

- Salary
- Bonus
- Commissions
- Overtime
- Deferrals
- 403(b)
- Cafeteria
- Other

Prior comp. excluded:

- None
- Plan entry date

414(s) compensation

- Salary
- Bonus
- Commissions
- Overtime
- Deferrals
- 403(b)
- Cafeteria
- Other

Prior comp. excluded:

- None
- Plan entry date
- Source eligibility date

ADP compensation

- Salary
- Bonus
- Commissions
- Overtime
- Deferrals
- 403(b)
- Cafeteria
- Other

Prior comp. excluded:

- None
- Plan entry date
- Source eligibility date

ACP compensation

- Salary
- Bonus
- Commissions
- Overtime
- Deferrals
- 403(b)
- Cafeteria
- Other

Prior comp. excluded:

- None
- Plan entry date
- Source eligibility date

415 compensation prior to plan participation excluded in safe harbor minimum allocation gateway test:

- None
- Plan entry date
- Source eligibility date

Plan: (0169010) Blue Grass Metals, Inc. 401... Year Ending: 12/31/2005 Audit

Plan Entry Requirement

These Fields hold Information about Plans Definition of Eligibility are used by The system to calculate participant Eligibility and plan entry.

Plan Specs - (0169010, 12/31/2005) - [Plan Entry Requirements]

File View Activity Window Help

Plan entry requirements

	Hours					Two Yrs.	Age (yrs.)	Age (mos.)	Wait (mos.)
Initial participation:	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="checkbox"/>	<input type="text" value="21"/>	<input type="text" value="0"/>	<input type="text" value="3"/>
Credited years svc/part:	<input type="text" value="1000"/>	<input type="text" value="1000"/>	<input type="text" value="1000"/>	<input type="text" value="1000"/>	<input type="text" value="1000"/>				
Years of svc for vesting:	<input type="text" value="1000"/>	<input type="text" value="1000"/>	<input type="text" value="1000"/>	<input type="text" value="1000"/>	<input type="text" value="1000"/>		<input type="text" value="0"/>	<input type="text" value="0"/>	

Vesting years definition: Hours Past years svc. comp.: Not computed - entered

Entry dates

Definition: Monthly Following

Entry date (1st): 1/01/2005

Entry date (2nd): / /

Entry options

- Credit full month for any service
- Waiting period exclusive
- Exclude predecessor service

Age defined as

- Last birthday
- Nearest birthday

Initial part. hours defined as: Anniversary / plan year

Immediate entry if employed by: / /

Excluded classes

- Union member
- Non-resident alien
- Commission only
- Other: leased & ind. cont.
- Hourly employee
- Salaried employee

Plan: (0169010) Blue Grass Metals, Inc. 401... Year Ending: 12/31/2005 Audit



- **Plan Entry Requirements-** Who is Eligible to participate in the plan and when they do
- **Initial Participation-** plan Document Item 3.1
- **Credited Years svc/Part--** Plan document Item 1.66
- **Years of svc for vesting** – Plan document Item 1.66
- **Vesting years definition** – Plan document Item 1.66 or Question 18
- **Past years svc comp** – First year half years created after the first year, always not computed entered.
- **Entry dates definition** – Plan document Item 3.2
- **Excluded classes** – Plan document Item 1.15
- **Initial part hours** – Plan document 1.66
- **Immediate entry if employed by** - Plan document Item 3.1

Account Definitions

These screens define the sources of money (Salary Deferral, Profit Sharing, and Match) and the underlying plan investments and are used to establish participant accounts under which all transactions are posted. Each of the tabs below is generally setup by the Data path New Business Department during the initial plan setup. Data path Consultants and plan administrators should consult with their supervisor prior to making changes to these screens.

Source

This tab Defines Sources and Associated Vesting Schedules

Sources Deferrals Accepts New Cont.: Yes, Test: ADP, ADP SH/ACP SH: No

Sources match are match Accept New Cont.: yes, test ACP, ADP SH/ACP SH: No Source Employer profit sharing Profit Sharing, Accepts New Cont: Yes, Test: None, ADP SH/ACP SH: No For each type of money each type of sources will be added. Common sources are Deferrals, Match, Profit Sharing, Rollover, Loans, Roth Deferrals, and Receivable Accounts. Item 6.4 or Question 19 shows vesting schedules. You have the ability to establish different eligibility requirements within the source screen for the different types of contributions.



Investment

This screen defines the underlying investments options in the plan. These options are not found in the plan document, but are part of the setup forms received back when Data path obtains a new client.

Accounts

Data path's standard setup procedures require that deferrals begin with 100, Match with 200, Safe Harbor Match 251, Profit Sharing with 300, Safe Harbor Non-elective 351, Rollover with 400, and any other necessary sources (QNEC, QMAC, Loans, Receivable) with 500. Loan sources should be attached to a loan investment. Receivable sources should always be attached to a receivable investment

Allocation Requirement

This screen defines the requirements that participants must meet each year (after meeting initial eligibility requirements) to receive a contribution. Requirements are usually defined in hours, etc.

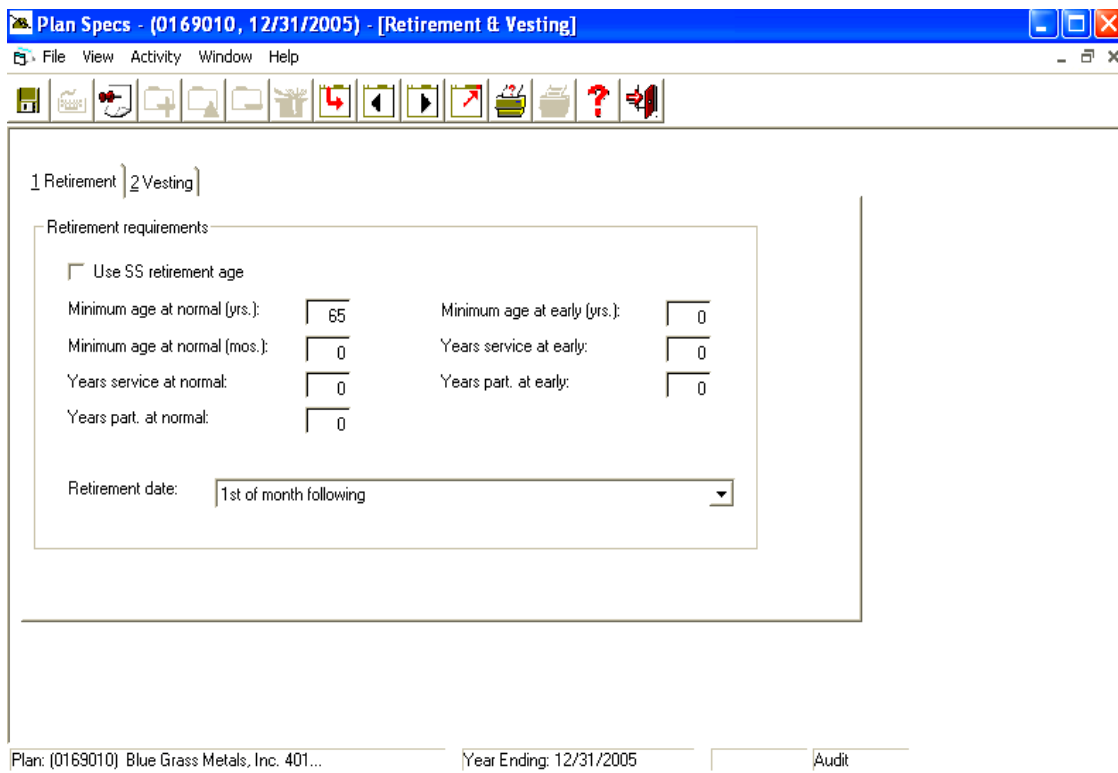
- **Match Contribution** – Plan document Item 4.4.2 or Question 32
- **Employer Contribution (Profit Sharing)** – Pan document Item 4.4.4 or Question 35
- **Forfeitures** – Same as employer; Plan document Item 4.4.4 or Question 35
- **QNEC** – Plan document Item 4.4.3 or Question
- **QMAC** – Plan document Item 4.4 or Question 31
- **Allocate QNEC/QMAC to** – Plan document Item 4.4 or Question 34
- **Post-tax contributions** – Plan document Item 4.1 or Question 53

Retirement & Vesting

Retirement

- **Minimum age at normal** – Plan document Item 1.39 or Question 24. Enter date of normal retirement including years and months
- **Years of Service** – Plan document Item 1.39 or Question 24, if an employee must work a specific number of years to retire, enter here.

- **Years of Part** - Plan document Item 1.39 or Question 24, if an employee must participate in the plan a specific number of years to retire, enter here.
- **Minimum age at early** - Plan document Item 1.13 or Question 26. If plans allows for early retirement enter here.
- **Years of service/part at early** - Plan document Item 1.13 or Question 24
- **Retirement date** – Plan document Item 1.4 or Question 25, the date the participant may retire once normal retirement age is met.



Plan Specs - (0169010, 12/31/2005) - [Retirement & Vesting]

File View Activity Window Help

1 Retirement | 2 Vesting

Retirement requirements

Use SS retirement age

Minimum age at normal (yrs.): 65 Minimum age at early (yrs.): 0

Minimum age at normal (mos.): 0 Years service at early: 0

Years service at normal: 0 Years part. at early: 0

Years part. at normal: 0

Retirement date: 1st of month following

Plan: (0169010) Blue Grass Metals, Inc. 401... Year Ending: 12/31/2005 Audit

Vesting

- **Exclude years before plan** – Plan document Item 1.66 or Question 22
- **Vesting applies to death benefits** – Plan document Question 23
- **Vesting applies to disability benefits** – Plan document Question 23
- **Early retirees fully vested** – Plan document Question 26
- **Normal retirees fully vested** – always checked.



Contribution Provisions

This screen defines how employer discretionary or profit sharing contributions are allocated and posted to participant accounts.

- **Employer contribution amount \$ or rate** – Based on employer contribution,
- **Basis for employer contribution** – The comp that is looked at, usually YTD
- **Maximum amount** – Table is used; for 2006 \$44,000 and for 2007 \$45,000
- **415 max** – always 100%
- **Allocations exceeding limit** – My modify based on employers
- **% of taxable wage base** – Only complete if FICA; blank if salary prop or New Comp, Plan document Item 4.1.e or Question 33.f
- **Social Security integration** – Only complete if FICA, will calculate for administrator
- **% to allocate in excess** –5.4%, 5.7%, Plan doc Item 4.1.e or Quest. 33
- **Apply permitted disparity** – Yes; only if FICA integrated.

Deferral Provision

- **Deferral Provisions** – Outlines any limits for employees to defer and whether or not catch-up contributions are allowed
- **Allocate excess deferral** – Left unchecked
- **Allocate deferral during hardship suspension** – Left unchecked unless administrator is tracking hardship suspensions
- **Elective deferral limit** – Pulls from table based on limitation year, for 2006 \$15,000 for 2007 \$15,500

- Maximum deferral percent – Plan document Item 4.2.a or Question 28
- Designated Roth Contributions – If document allows Roth, indicate here. Mentioned in separate amendment
- Catch-up Contributions – Almost always yes
- Catch-up Contribution Limit – Pulls from table based on limitation year, for 2006 and 2007 \$5,000

Forfeitures

- Forfeitures – Reflect when a forfeiture should occur and how forfeitures are used
- Basis for forfeiture allocation – Almost always choose in same manner as employer contribution
- Forfeitures allocated – Should not choose to originating investment
- Forfeiture occurs upon – Plan document Item 1.21 or Question 36, usually payout or 5 year break
- Hours required to avoid break in service – Plan document Item 1.38 or always 501 in prototype
- Forfeitures reduce – Plan document Item 4.4.c or Question 36

Top Heavy test or ADP Test/ACP Data

- Top heavy net year – 60 or 90% if top heavy or no if not top heavy
- Allocations Method – Always top heavy skim
- Keys excluded from minimums – Plan document Item 4 or always yes for prototype
- Minimums and Match – Should be no
- Remaining information is results from the prior years.

1 Top Heavy History 2 Testing for ADP/ACP
History

Plan Year End	All NHCE ADP	All NHCE ACP	Nonexcludable NHCE ADP	Nonexcludable NHCE ACP	Excludable NHCE ADP	Excludable NHCE ACP	Aggregation Group	All NHC Agg. AE
12/31/2005	7.30	0.83	10.95	1.02	0.00	0.00		
12/31/2004	8.18	0.93	12.84	1.21	0.93	0.18		
12/31/2003	9.39	0.97	12.55	1.17	1.83	0.45		
12/31/2002	9.04	1.04	9.04	1.04	9.04	1.04		

Step 3: Import or allocate Financial activity in relis Administration

2.15 Daily Valued Plans

If the plan is a daily valued plan, Plan Administrator will need to import the financial transactions into Relius Administration. Each record-keeper produces a file format that is a slightly different. Below are the procedures for each record-keeper.

- **Post Eligibility Transaction** - The Eligibility Transaction in Relius Administration Transaction Screen is applies the Plan Eligibility, Vesting, and other provisions to the current year Census Data File that has been loaded into the system. The result of this transaction is to calculate which employees meet eligibility requirements, update service for vesting, update service for contribution allocation, and calculate plan compensation. Below are the steps to running an eligibility transaction.
- **Create / Add Eligibility Transaction** - In Relius Administration choose Processing / DC / DB Transactions. Once the transaction screen is open, select Activity → Add Transaction → Eligibility.
- **Enter Eligibility Parameters** - When the Eligibility transaction window appears, he/she has to enter the valuation date in the effective date box and then click add. If it is the first year choose Estimate prior entry dates.
- **Post Transaction** - After adding the transaction the window will now show the eligibility transaction in a green status. The green status means that the transaction has been entered but not yet posted. Clicking the Post Transaction Button on the Menu Bar and choosing ok through the prompt.
- **Correct Posting Errors** - If errors are encountered the prompt below will be displayed requiring corrective action before the eligibility transaction will post.

Plan administrator will need to go into the census screen to correct errors that may appear. The error illustrated above is one of the most common errors encountered when posting eligibility in Relius Administration. This error is caused by the failing to provide an associated Status with a Status Date in the Census Data File. To correct this error he/she has to follow these steps:

- Reverse Incomplete Eligibility Transaction** – First reversing the incomplete eligibility transaction.



- ii. **Correct Status Field** - In Relius Census by opening the Status and Service Form and selecting “Terminated” in the Status Code Field.
- iii. **Verify Plan Entry Date** - Verifying that the employee has a plan entry date and / or if the “Met entry requirements” field is populated. If no Plan Entry Date exists, manually enter the correct date (generally the same as “Met Entry Requirements” date). In the case below the date would be 01/01/1993.
- iv. **Repost Eligibility Transaction** – After correcting the status and dates above repost eligibility have to be reposted.
- **Import Financial transaction**-The next Step is posting for daily valued plan is to import financial transaction using one of these method:
 - a. **Financial Institution Interface** - Certain recordkeepers have contracted with Relius to make the import of financial transactions quick and easy. With this method the file formats have been pre-mapped so data is imported without manual manipulation.
 - b. **Generic Transaction Import**-Relius has Generic transaction import That Allows import from ascii files.With this method Different files may be imported but manipulated by manually Routine in relius to create Maps of importing data.
- **Add Additional Contributions** – With daily valued plans, the final step in posting transactions is to add any additional contributions that may be required. These contributions are generally posted to a “receivable” account in the system. Even though financial transactions have been imported additional contributions may be needed for the following reasons
 - a. **Profit Sharing/Discretionary Contribution Accrual**-ERISA Allows Companies to Calculate and accrue Profit Sharing and Discretionary Contribution for taxes After the end of plan year before tax filing deadline then funden in trust.many company want to Fund in this Contributions.After the year end Datapath Calculate these Contributionfor allocation project.Contributions are Generally Allocated to the Recivable in relius.
 - b. **Deposit in transit**-Some Recordkeeper Download fles which provides on Cash basis needs Deposits that were in transit (contributions that belong to one year for taxation purposes but that get funded the following year) at the end of the year



Saved by Datapath consultant. The result is an additional transaction posting salary deferrals or matching contributions to a Receivable Account.

- c. **True-Up Contributions** – Often companies will calculate and fund matching (and occasionally profit sharing) contributions throughout the year, but the formula in the plan document is based on the “Plan Year” requiring Datapath consultants to calculate a “True-Up” contribution. It means adding or Subtracting necessary amount from Participant Account to match With the amount according to formula the true up contributions is allocated to a Receivable account.

Step 4: Review Census Report And Correct Census Errors

2.15.1 Verification of Census Information

Allocation is build on the Census Data but the accuracy is Critical. Datapath workflow Department imports Data from a Spreadsheet and perform basic data Screening before Releasing the project to a Plan administrator. The following items must be correct: SSN, Name, Date of Birth, Date of Hire, Salary / Compensation, Salary Deferrals, Hours Worked, and Status. Follow these steps to verify the accuracy of census data.

1. **Print Census Report** – To print report, plan administrator should Choose Reporting / Report Writer and choose the appropriate Census Report from the menu.

This will return to the Report Writer Screen. Then- Account Data Options / All Accounts Including Those with no balance activity / Print to desired output.

Review Report / PY Comparison – Next he/she will have to review the report for accuracy by comparing the CY report against the PY checking to see that that each employee’s basic information has not changed and that eligibility is working correctly for the plan and verify that employees have received an additional year of service as expected. Also compare the information on this report to the census that was printed from workflow and imported into Relius.

- 2. Correct Error / Problems** - If any errors are spotted, he/she will need to go into the census screens and make corrections for each employee, but before doing so he/she has to be sure to reverse eligibility

Step 5 Review Correct Reconcile and post Additional Transactions

Excellent Reconcile skill and understanding accounting method needs in allocation the two basic methods of accounting: (1) accrual method, and (2) cash method. It is important that the following items are reconciled to the source documentation:

- **401(K) Salary Deferrals**- in 401K plans Employers Withholds Salary deferrals with each pay check and remit them to the Recordkeeper. In allocations all salary Deferrals withhold for the year. Our experience shows that employers often fail to remit all salary deferrals and sometimes code deposits of salary deferrals with incorrect effective dates when submitted to the investment provider / recordkeeper. So it is important to reconcile Employee Census with the amount received by the investment provider.
- **Employee matching contribution**- Matching Contribution must be reconciled. The matching contributions are calculated on payroll by payroll basis or on a year basis.
- **Profit Sharing Contributions** – Profit Sharing Contributions are generally “accrued” on the allocation reports and a reconciling item must be included on the trust accounting.
- **Investment Statement Balance** – The balance in the Investment Accounts must be reconciled back to the Relius Summary of Accounts Because allocations are prepared using accrual method of accounting and investment statements are sometimes prepared using the cash method of accounting, a reconcile item must be included with reconcile item.

Sample trust accounting

As allocation reports are prepared on accrual basis and recordkeepers keep track of the accounts in cash basis the balance of both most often are different. To tie with the recordkeeper’s amount plan administrator has to prepare Trust accounting in a Microsoft Excel sheet. This also works as a proof that administrator has done all calculations accurately.

Step 6: Produce client Reports, Calculate Tests, And Write client Letter

Overview of printing Reports

The client reports are one of the core services or products delivered to clients. All of the previous processes are used to accurately produce these reports. These reports are produced primarily from Relius Administration Reporting / Report Writer Reports menu. Most of the Datapath Reports have been customized by the information. Anyone can see the report in the window by clicking custom option These are the report that data path consultant use for client report.

- **Plan Specifications Report** – This is a one page summary of the Plan Specifications presented to the client in a simple to read format.
- **Census Report** – This is print out of the census information that is used to complete the allocation project. It is based upon the original information provided by the client, any corrections made during processing, and updates caused by posting the Eligibility Transaction in Relius Administration.
- **Contribution Report** – This is a listing of the contributions by source (salary deferrals, matching, profit sharing, etc.) and by participant.
- **Summary of Accounts** – This is a summary of the transactions in the participant accounts for the year of period categorized by source (salary deferrals, matching, profit sharing, etc.) and sometimes by investment fund.
- **Summary of Accounts – Plan Totals** – This is a summary at the plan level of the information on the Summary of Accounts.
- **Trust Accounting** – This is the Trust Accounting Report created in Microsoft Excel reconciling assets and transactions in Relius Administration for the year to the assets in the underlying Investment Statements or Recordkeeper Download.

Prepare compliance test

For plans to retain their tax-favored status, they must pass certain compliance tests each year. One of the basic jobs of a retirement plan administrator is to ensure that plans pass all of the

required tests. \Most of the test is needed to prove that plan is supporting the business owner and HCE, other key employee. Below is a summary of most of the compliance tests and when they apply followed for performing each of these test

Description	Applies To	General Description / Purpose
ADP / ACP Tests (Average Deferral Percentage and Average Contribution Percentage)	Traditional 401(K) Plans Safe Harbor 401(k) Plans are exempt	Description: The ADP and ACP Tests limit the amount of salary deferrals contributed by HCE's to no more than 2% above the NHCE's. Purpose: To encourage business owners and companies in general to educate and promote retirement savings for employees.
Top Heavy	All Qualified Plans Certain Safe Harbor 401(k) Plans are exempt	Description: The plan is Top Heavy if the balances of Key Employees represent more than 60% of the total plan balances. Top Heavy Plans must fund Minimum Top Heavy Contributions. Purpose: To ensure Non-Key employees receive minimum plan contributions.
General Nondiscrimination (IRC Section 401(a)(4))	New Comparability Plans Other Plans with Non-Traditional Allocation Formulas	Description: The General Test is a complicated test that must be run for New Comparability Plans. Under this test Plan Administrator must project out the contributions of each employee to retirement age using future value calculations and compares the projections for HCE's to those of NHCE's using a special testing methodology. Plans must allocate enough of a contribution to NHCE's to pass the test. Purpose: To ensure NHCE's receive minimum contributions under the plan.
Minimum Coverage (IRC Section	All Qualified Plans Certain Plans	Description: Under the Minimum Coverage Test Plan Administrator must calculate the number of participants that are "benefiting" under the plan. The plan must benefit a ratio

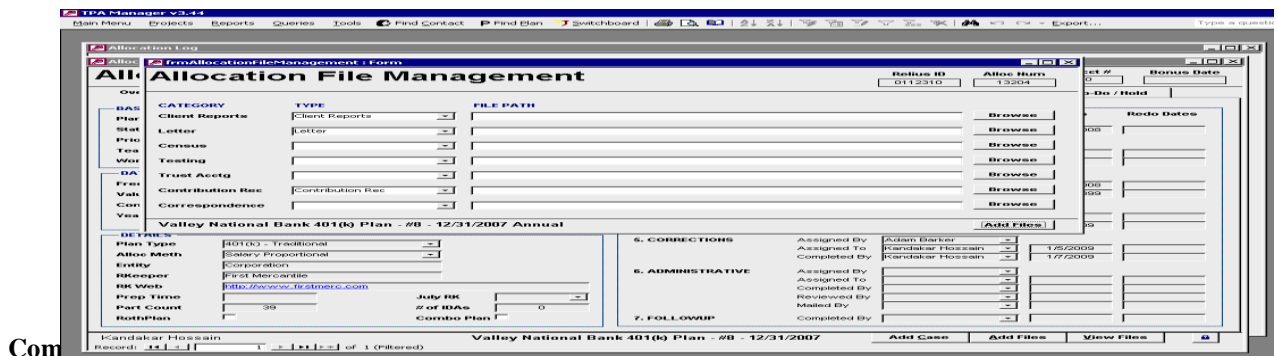


<p>410(b))</p>	<p>Automatically Pass</p>	<p>of NHCE's to HCE's equal to or greater than 70%.</p> <p>Purpose: To ensure companies cover a large percentage of their workforce and to prevent broad-based discrimination.</p>
<p>Maximum Deductible Contribution</p>	<p>All Defined Contribution Plans Profit Sharing Plans 401(k) Plans Safe Harbor 401(k) Plans</p>	<p>Description: Total Contributions (excluding Salary Deferrals) cannot exceed more than 25% of Gross Compensation of All Eligible Participants.</p> <p>Purpose: To limit the amount of tax deductions and tax savings that companies receive from Qualified Plans.</p>
<p>Compensation Ratio</p>	<p>Plans that exclude certain items from compensation such as bonuses, overtime, etc.</p>	<p>Description: Plan Administrator must calculate "excludable" compensation for both HCE's and NHCE's. The ratio of "excludable" compensation to total compensation for the NHCE's must not be significantly lower than the same ratio for HCE's.</p> <p>Purpose: To prevent companies from using Compensation definitions in plans that "skew" the</p>

Step 7: Submission For Review & Correction

Submission for Review

Next the Plan Administrator has to upload the client report, allocation letter, trust accounting file & investment statement into TPA manager for review. For that-He/she needs to open





TPA manager/ Allocations Log/ My Allocations/ Select Plan/ Click Add Files-

Then by clicking Add files he can upload the files in TPA manger.

Correction and final Upload

If there is any mistake(s), the Reviewer will notify that in TPA Manger Correction log. Plan administrator then needs to correct the error(s) and upload the files again in TPA manager. This completes the process of preparing year end retirement plan report under US regulations.

2.16 July Sales Services

Item collected on sales services are given below

- Setup guide part A and B
- July agreement and RCH agreement
- Custodial and fiduciary agreement.
- Stable Value Agreement, unitized model Agreement
- Other agreements and departure letter.

Process Flow of sales

- **Step 1:** Prepare Proposal, Illustration, Cost Analysis (DP Sales, Internal), External)
- **Step 2:** provide proposal to advisor to Advisor/Sponsor(External/internal)
- **Step 3:** Review Proposal with Advisor / Sponsor (External / Internal)
- **Step 4:** Regular Follow ups until plan Won or lost(External/Internal)
- **Step 5:** prepare setup paperwork for sold case(External/internal)
- **Step 6:**Finalize Paperwork and submit to installation(External/internal)

External



- Travel in territory
- Maintain Relationship with current Advisors & TPA's
- Build Relationships with new Advisors & TPA's
- Review Setup forms with advisors
- Monitor sales goals.

Internals

- Ensure proposal illustrations Completed
- Prepare Setup paperwork
- Fund screening.
- Handle Solo plans
- Handle sales related cases from operation teams.



Estimated core fee

Fee	Description	Amount	Quantity	Total	
Implementation Fees					
Setup Fee	One-time services for the setup of a new retirement plan.	\$350	1	\$350	
Total Implementation Fees				\$350	
Core Recurring Fees					
Base Fee	Base fee for retirement plan services.	\$2,800	1	\$2,800	
Participant Fee	Per participant fee for retirement plan services.	<u>Participant</u> <u>Fee</u> <u>Quantity</u>		\$5,740	
		1 to 15	\$0		15
		16 to 50	\$80		35
		51 to 100	\$70		42
		101 and Above	\$65		0
Custodial Fee	Basic fee for custodial services (based on plan assets). The asset based fee drops to 0.025% if the DepositxChange (FDIC insured bank deposit) account is used for plans up to \$30 million (0.02% for plans \$30+ million).	0.025%	\$2,823,170	\$706	
Custodial Transaction Fee	NSCC trading fee assessed by the custodian per trade.	\$0.06			
Investment Management Expense	Estimated Investment Expense.	0.35%	\$2,823,170	\$9,881	
Advisor Services	Fees and services from your investment advisor.			\$7,500	
Total Core Recurring Fees				\$26,627	



Recordkeeping and TPA Fee Details

Below is a Detailed fee Schedule Showing other ancillary recordkeeping and TPA Services and fees.

Fee	Description	Amount
Brokerage Window		
Setup Fee	Setup fee for brokerage window accounts.	\$50
Annual Fee	Recordkeeping fee for brokerage accounts.	\$200
Brokerage Window	The annual fee for an Individual Brokerage Window not linked with the custodian.	\$200
Model Management		
Model Management	Model management for custom models not utilized through Retirement Model Manager but on JULY's recordkeeping platform (based on assets).	0.05%
Optional Core Fees		
Compliance Testing	Testing and compliance services for non-safe harbor or new comparability plans.	\$500
Loan Maintenance	Annual maintenance of participant loans.	\$50
ERISA Care (0 to 30)	For clients seeking complete coverage for non-core ERISA services. Includes access to ERISA specialist, handling of IRS Audits/DOL Investigations, filing of Form 5330, specialized ERISA research, IRS Correction Filings (VCP/EPCRS), mid-year testing/projections, and legislative plan amendments/restatements. The IRS Plan Restatement fee will range from \$300 to \$1,500 and is required every 5 or 6 years.	\$300
ERISA Care (31 to 100)	For clients seeking complete coverage for non-core ERISA services. Includes access to ERISA specialist, handling of IRS Audits / DOL Investigations, filing of Form 5330, specialized ERISA research, IRS Correction Filings (VCP / EPCRS), mid-year testing / projections, and legislative plan amendments / restatements. The IRS Plan Restatement	\$600

	fee will range from \$300 to \$1,500 and is required every 5 or 6 years.	
ERISA Care (101 to 350)	For clients seeking complete coverage for non-core ERISA services. Includes access to ERISA specialist, handling of IRS Audits/DOL Investigations, filing of Form 5330, specialized ERISA research, IRS Correction Filings (VCP/EPCRS), mid-year testing/projections, and legislative plan amendments/restatements. The IRS Plan Restatement fee will range from \$300 to \$1,500 and is required every 5 or 6 years.	\$1,200
ERISA Care (351 and up)	For clients seeking complete coverage for non-core ERISA services. Includes access to ERISA specialist, handling of IRS Audits / DOL Investigations, filing of Form 5330, specialized ERISA research, IRS Correction Filings (VCP / EPCRS), mid-year testing / projections, and legislative plan amendments / restatements. The IRS Plan Restatement fee will range from \$300 to \$1,500 and is required every 5 or 6 years.	\$2,000
Document Care (0 to 30)	Similar to ERISA Care but only includes the legislative plan amendments and restatements.	\$175
Document Care (31 to 100)	Similar to ERISA Care but only includes the legislative plan amendments and restatements.	\$250
Document Care (101 to 350)	Similar to ERISA Care but only includes the legislative plan amendments and restatements.	\$325
Document Care (351 and up)	Similar to ERISA Care but only includes the legislative plan amendments and restatements.	\$400
Revenue Sharing Processing Fee	Fee to manage the collection of revenue sharing and the allocation to the plan/participants.	\$80
Revenue Sharing		
Revenue Sharing Credits	Revenue sharing credits to reduce plan expenses.	(100%)
Termination Fees		

JULY Contract Termination	Fee for termination of services with JULY.	\$1,000
Transaction Fees		
Loan Origination	Fee to prepare loan documents and approve loans.	\$125
Distribution Fee	Fee to calculate, process, and pay distributions.	\$100
Processing Fee	Fee for wires, ACH, stop payments and overnight payment delivery.	\$35
Paper Statement Fee	Per participant fee for individuals requesting paper copies of quarterly statements.	\$6
QDRO Fee	Review and processing of QDRO to ensure compliance.	\$750

2.17 SWOT Analysis

2.17.1 Strengths

- Data path provides lots of facility to its employee.
- The Loyalty and trustworthiness Data path achieved from July business service.
- Data path has a access on highly confidential information of us Employees.
- It works on Us Retirement plan industry so it has a huge information about it.
- Working environment is good.

2.17.2 Weakness

- The security system is little bit weak.
- Going through a big training programme is not cost effective and time consuming.
- Different time zone can effect the Work and handing over the task.
- Us Retirement related works are more Complex and critical.
- Learning for new Employee is very hard.

2.17.3 Opportunities

- It can open a new frontier in the outsourcing industry.
- Bangladesh has a huge opportunity in outsourcing.
- Us retirement plan Expertise is the advantage for us in entering north American Retirement industry.
- We can build a strong relation with the client outside the country.

2.17.4 Threats

- Any socio political instability can stop all its Activity.
- Work experience in this field can't be applicable in anywhere in this region. Because south Asian pension plan system is different
- Fail in Accomplishment of work may end up being losing the contract and task.you may lose the contract.

3 CHAPTER THREE-

ANALYSIS AND FINDINGS

3.1 Analysis and Findings

3.1.1 Background

Ageing is a common phenomenon across the world and over time. It basically concerned on Elderly population aged sixty years above. It's a new and important issue in Bangladesh. The Developed countries update policy as social security with care for the elderly through institution and many other public and private care systems for the aged. With the improvement in health care and increased life expectancy it is becoming a vital problem in the developing countries including Bangladesh. Over the last decade in Bangladesh population of elders rise in numerous number. Presently about six percent of the populations are elderly i.e. 9 million people. By 2025 one in ten persons will be elderly i.e. 18 million people.

According to 2001 population census

Age Group	Both Sex (in million)	Male (in million)	Female (in million)
60-64	2.83	1.63	1.3
65-69	1.40	.81	.63
70 +	3.30	.18	1.5

This figure shows the increase in longevity of the elders. Historical trend and projection of elderly people are as proportion of total population which are given below.

Year	Total population in Bangladesh (in million)	% of Elderly people above 60 in bangladesh
2000	129155	5.11
2005	140566	5.48
2010	151799	6.50
2015	161540	6.94
2020(estimated)	170194	8.01

In Bangladesh like other developing countries no social security system is available. So this growing number of older population is a major concern for us. In view of the size of the

population scarcity of resources, poverty, insufficient health facilities and security absence so ageing is going to be a big problem. In Bangladesh majority of older people live in absolute poverty after a life style of deprivation, ill health and social isolation. The neglected, ignored and ill fated elderly people of the country who established the present generation with all they had in their youth living in distress. Efforts are not taken at any level government or private.

3.1.2 Pension System:

Bangladesh government modified the pension rules for the first time in 1972. Based on that pension was provided by fixing pay on average of last 12 months' salaries instead of average pay of last 36 months as was the system before. Later on, in 1974 pension was paid on the basis of a certain percent of last pay drawn instead of 12 months average pay. The maximum pension amount was 60% of the last pay.

In 1977 through new legislation pension amount was fixed at 80% of basic pay scale. Lastly in 1994, the government simplified the rules and regulations relating to sanctioning of the pensions of the government officials.

3.1.3 Types of pension:

According to the Bangladesh service rules different types of pension are allowed by the government for the officials of the public service. These are discussed below:

Compensation pension

This pension is provided to the officials who have lost jobs because of abolition of their posts in downsizing some offices or organizations by the government to keep these in economic size.

A government servant can claim compensation from his past services. And he or she is appointed in new post or transferred to any other establishments. The process is making a list of official losing their jobs at minimum expenditure of the government. The important point is that in abolishing the posts the income of the government must have to be increased. In this process Government income of the government has to be more than the amount of the pension to be paid.

In this process, if an employee is discharged from a post after completion of service in terms of fixed service conditions; in that case s/he cannot claim any pension. For loss of any special pay pension or compensation allowance is not allowable. School teachers or other employees who perform duties in the postal department in addition to their own duties and if they are released from the department in that case they are not entitled to pension.

- If a change takes in the official duty then the compensation pension and gratuity payment must have to be brought to the notice according to rules for the purpose.
- If an employee is engaged in two posts and because of abolition of one post, if they want to retire or the authority wants to retire him or her in this case government will take the Decision.
- In the case of retrenchment of permanent employees, if notice, which is necessary, is issued giving a time period of less than 3 months, in that case proportional compensation is to be paid for the period falling short of 3 months.
- An employee is reemployed and intends to return the compensation He or she can do so by intimating the issue of authority. But a temporary employee cannot do so.
- If an employee being entitled to compensation pension desires to be employed in other government post and if so appointed, and subsequently proceeding on compensation pension, in that case s/he is given the same amount of money as s/he was entitled to in the first time.

3.1.3.1 Invalid pension

If someone is invalid physically and mentally in that case the government grants that employees invalid pension. According to Bangladesh service rules if an employee applies for invalid pension before attaining 57 years of age then head of the office will process the sanction for invalidation of pension through medical certificate.

- If an employee while enjoying leave abroad claims invalid pension, in that case s/he will be have to appear before the Medical Board in Bangladesh embassy of that country.

- He must have to submit application in prescribed form for invalid pension with recommendations of concerned medical board and document
- The authority which will grant invalid pension to an employee shall send a brief statement under sealed cover to the health examining medical officer or to the Board mentioning therein the information as to types of treatment taken by the employee.
- An employee Being less than 57 years of age shall be required to produce Medical service Report for invalid pension. The certificate must contain the statement that the concerned employee is invalid for work because of old age.
- Medical certificate must be in the prescribed form. The issue in this case is that medical certificate is very difficult to be obtained in time in which case granting of pension is unnecessarily delayed.

3.1.3.2 Superannuation Pension

Superannuation pension take place when a public Servant is fixed by the government at a certain age. Which has been fixed in the public service Act 1974. The age of retirement is 57 years. But recently for judges and university Student it increased to 65 years. . The major issue in the case of this pension is that the exact birth date is not always known in which case date of birth is assumed and rationality of age is lost.

3.1.3.3 Retiring pension

According to the law of the country the government may, if it consider necessary in the public interest so to do retire from service a public servant at any time after he or she hs completed 25 years of services without assigning any reason. But any other appointing authority is not authorized to exercise this power. If any sub-ordinate appointing authority desires that an employee employed by it should retire after 25 years of service, in that case that authority shall propose to the concerned ministry to that effect. In the case of gazetted officers the issue of retiring shall be referred to the President of Bangladesh for decision.

3.1.3.4 Option Pension

A public servant has unqualified right to opt to retire from service at any time after s/he has completed 25 years of service upon the only condition that s/he shall have to give a notice in writing to the appointing authority at least 30 days prior to the date of his/her intended retirement. In this case the government is bound to accept the option and has no legal scope to refuse. But such option once exercised shall be final and shall not be permitted to be modified or withdrawn.

3.1.3.5 Family pension

After the death of pensioner his family member allowed for pension this is called family pension. In the case of family pension. In this case a public servant remaining in Service at anytime he or she can nominate his or her children as a successor but if anyone along with wife or husband are available last controlling authority will decide the successor for providing family pension and gratuity.

3.2 Retirement benefit

Retirement is the withdrawal from one's occupation or from active works. According to one author, 'retirement is a time when people move from certain roles and seek other roles'. The retirement benefits are provided to the retired employees of the government and parasitical organizations. A retired public servant is entitled to a number of benefits at retirement.

3.2.1 Leave preparatory to Retirement (LPR)

The period of this leave will go beyond after finishing the 58th year of age. After enjoying the LPR, if the retiree have earned leave to his/her credit s/he will be entitled to 12 months' pay for 12 months' of un-enjoyed earned leave.

3.2.2 Gratuity

The government allows gratuity to the retiring person up to 80% of the emoluments of the retiree after completing 25 years of pensionable service. It is in lieu of 50% of his gross pension he gives compulsorily at the rate of taka 200 for one taka. And the rest of it will be given on 50% remaining at the rate of taka 100.

3.2.3 Government Accommodation

In the event of death, retirement including compulsory retirement, the retired person or his family is entitled to remain in the allotted accommodation. If the retired employee (allotted) dies while in service, his/her family shall be permitted to stay in the accommodation for two years subject to certain conditions from the date of the death of the allotted.

3.2.4 Benevolent Fund

If that retired died during the service time or dies within five years from the date of superannuation so after this his or her family will receive a fund according to a scale specified in the schedule for a period of ten years.

3.2.5 Group insurance

Group Insurance fund has been constituted by the government. All employees except the class III and class IV employees are required to deposit premium to the Fund at the prescribed rates. This is managed by a Trustee Board. Every government employee may nominate someone for receiving money from the fund.

If an employee dies while in service his or her family will get financial service from the fund. The fund will not exceed 100000.

3.2.6 Non qualifying service

Not all public Services are pensionable. It only for those who Draws Salaries from general Revenue are entitle to pension on retirement.

- The services for which pay is paid from local autonomous bodies, trust funds and nationalized organizations or from commission and fees are not pensionable service.
- If someone is in Probation Period this probation period shall not be counted as pensionable service.
- Extraordinary leave is not counted as pension.
- If a public servant is temporarily suspended from his/her post against allegation of offence and is reinstated in the said post and if any part of his/her pay is confiscated for the suspension period, then the period of temporary suspension shall not be counted/considered for pension.
- If someone work after his or her medical certificate is invalid then for that period there will be no pension service.
- If a public servant is removed or dismiss for any charges of misconduct, or previous service is confiscated as such consideration there will be no pension.

3.3 Us Retirement policy

There are some distinct features of US retirement policy for which those are so much popular and widely used by both government and non-government organization even in case of sole-proprietorship.

3.3.1 Government Rules

US Department of Labor has provided a number of retirement plans. Beside the government organizations, each and every non- government organizations also have to adopt at least one of those plans. The sole proprietorship businesses also have to adopt the retirement plans.

3.3.2 People desire to save

People have to contribute some portion of their income to the retirement plan for future benefit. That becomes savings for them. Every year they contribute, and after their retirement, they would get a huge amount of money.

3.3.3 Rules of highly and non-highly compensated employees

The HCE cannot contribute more than the allowable percentage of their compensation into the plan. In this way, we can minimize discrimination between HCEs and NHCEs.

3.3.4 People's Right to know

The participant should know from where they are getting where contributions are going. The participant has to clear first that how much they are going to get for retirement.

3.3.5 Contribution to the homeland economy

There are a good number of immigrants in US those who are serving various US organizations. They are also covered under various retirement plans. In these cases, they can invest their contributed amount in any venture of their homeland.

3.3.6 Increase self-dependency

At the last age of life in USA, they don't want to live with their family; they want to be self-dependent even in that stage through these savings.

3.3.7 Age limit

The age limit is 65.5 years. They are vested in that age. They have also early retirement policy at the age of 55.

3.4 Bangladesh pension plan policy

Pension system in Bangladesh is mainly observed in government services. The pension issues are settled according to the rules of the Public Servants. In Bangladesh the retirement policy is not applicable in private organizations. Still there is no example of adopting any retirement policy by any sole proprietorship. The features of Bangladesh Govt. retirement policy are stated below:

3.4.1 Insufficient amount

For the old age people become very unsecure. Government provided amount is not sufficient for them. Recently government introduced some old age allowance programmed which cover Small fraction of elder people out of pension system.

3.4.2 Terminated employee

If a public servant is removed or dismissed from service on account of misconduct, insolvency or invalidity, his/her previous service is confiscated and as such not considered for pension. In USA terminated employees get their due contribution as their rules. Whatever they performed for their pension fund they will get the portion of contribution up to termination date.

3.4.3 Suspended employee

The Suspended Employee will not be counted for pension for this suspension period. They are not been able to add more for the pension for this suspension period.

3.4.4 Not aware of the contribution

The amount they are contributing or saving for provident fund is kept in a bank. This amount is invested in other sources. They don't have any idea that where is going or invested their money. Only they get a fixed interest on their principle amount.

3.4.5 No specific organization for retirement policy

The pension policy of Bangladesh is maintained by the department itself. No other organization is assigned to do this policy whereas USA's every organization depends on Third Party Administrator.

3.4.6 Qualifying conditions

A Government employee retires at 57 or voluntarily after the completion of 25 years of service come first. It is 60 for the teachers and the freedom fighter of Bangladesh. And the early retirement requires 25 years of service

3.4.7 Same Rules for all Departments

As government rules are applied to all so that these rules are not varies organization to organization. The matching contribution or profit sharing is not applicable. In fact they are unknown with these terms. Employer has no chance to change the facilities or policy whatever is given to the employee. In USA, employer can choose the policy format.

3.5 Findings

- USA gives more emphasize on the pension plan. Every organization follow government sanctioned plan. But in Bangladesh government does not do that on the other hand our government has insufficient amount.
- In US terminated employees has benefit on the other hand but in Bangladesh there is nothing like this and not every jobs has pension service. In US there is a strong desire for savings and everyone do that.
- In Bangladesh people have no idea where his or her savings is going. But in US people can know that.
- In USA accumulated Money Can be invested in various business and contribute in economy.
- In USA employee has the liberty to choose the policy format. But in Bangladesh same rule applied for all Departments. Also in Bangladesh amount are insufficient.
- In Bangladesh there is a high concern of old age USA there is nothing like this.in old age people of Bangladesh depend on their own children.

4 CHAPTER FOUR

CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

After exploring the IRS rules and regulations it may be conclude that the American retirement benefit plan is encouraging the American citizen to save money for their old age. But in Bangladesh we still face so many problems in regards to employee's retirement funds. The smooth functioning of a, industry depends upon the activities of the institution which over sighted the function of the industry. For all types of retirement benefit plan reporting the IRS and DOL has the separate dead line to submit the report which must be maintained by the plan sponsor. But we don't have that sort of organization to protect employee's right; moreover our government did not have any emphasis in this sector. But if we can changes the current system than it will be a huge achievement for the whole country. The American retirement benefit plan is making contribution to their stock market and makes people interested about the stock market and contributing the overall economy. This report may help to improve the retirement benefit system of Bangladesh.

4.2 Recommendations

I found some differences and problems in Bangladesh pension policy while working in data path. I have reached some solid decisions both for Data-path and Bangladesh pension fund. To improve this state of affairs I want to recommend fairly in very confident way. My realization is on agreement.

For data path

Right person in the right place

Right person in the right place at the right time should be the policy of recruitment. Data-path should recruit perfect and merit person for their duty. To have the efficiency and quality it should be maintained. Employee must have full knowledge on retirement pension benefit pf USA. So perfect training is needed with strong communication skills. Data path should choose the right person

Should carry on the faith

Data path first do some supporting duties for July services. They have got all permission by building trust. So security of this document and information is much more important. The trustworthiness is the main factor here. It represents our national personality. If we carry on this then the number outsourcing will increase. It will also increase our national income.

For Bangladesh

Amount should be sufficient

If there are many option to contribute and interest rate is high then contributed along with payback amount will be high. More money to be saved payback amount will be high. It is another way to income for the govt. And if the amount of pension is sufficient then it will be helpful in their old age and they don't have to depend on others.

Should have a Responsible organization

Every public organization maintains pension policy by them. It would be better to have a third party organization for pension policy. An organization is needed to do pension plan. it will reduce burden and Bangladesh may settle a Very responsible trustworthy organization

Should motivate for provident fund

Not all the employees are having provident fund. So Government should motivate their employees for the provident fund by offering new incentives or facilities. Family support is the basic security of most elderly people in Bangladesh. There is an extreme need of perfect pension plan. Informing people about holding provident fund may motivate them for it and it will be helpful

Should have rule for HCE/NHCE

Bangladesh govt. should also imply some rules for highly compensated employees to reduce the discrepancies' between highly and non-highly compensated employees. Actual deffrel and contribution percentage may easily lessen the discrepancies. NHCEs will be benefitted by HCE.

Appendix

ACP	: Average Contribution Percentage
ADP	: Average Deferral Percentage
ASPPA	: American Society of Pension Professionals & Actuaries
DOL	: Department of Labor
ERISA	: Employee Retirement Income Security Act
IRS	: Internal Revenue Services
IRC	: Internal Revenue Code
RPF	: Retirement Provident Fund
SIMPLE	: Savings Incentive Match Plans for Employees
TPA	:Third party Administrator

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