UNITED INTERNATIONAL UNIVERSITY

Internship Report

On

American Retirement Plan and the use of it in Bangladesh

<u>Submitted to</u>:

Ms. Ishrat Jahan
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<u>Submitted by:</u>

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Letter of Transmittal

January 30, 2022

Ms. Ishrat Jahan
Assistant Professor
School of Business and Economics
United International University

Subject: Submission of Internship Report.

Dear Madam,
I am delighted to represent my internship report on “American Retirement Plan and the use of it in Bangladesh”. This report is a precondition for accomplishing my Bachelor of Business Administration at United International University. This report holds all my understanding and affairs that I have gathered in Data-Path Ltd. The entier internship period was absorbing and thirlling for me as an employee of this company. This report is mostly established on the American retirement 401(k) plan compared to Bangladesh and how we can use it in our country.

I, therefore, will be indebt if you can apprise me with your point of view on this report and evaluate my work. I would like to give you thanks for your continuous instruction as we as support.

Yours Sincerely,
Syed Asrarul Haque Sami
ID: 114 172 002
Department: BBA in AIS
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Acknowledgment

I would like to convey my heartfelt appreciation to my respected supervisor **Ms. Ishrat Jahan** for her prolonged supervision, support, and greatest care concerning the accomplishment of my internship report. It has been a unique 90-day work experience at Data-Path Ltd, where I have had the opportunity to gather new industry knowledge as there is no end to learning. I would also like to express my gratitude to the other teachers whose teachings and advice have proven to be expensive and valuable during my training period.

In this occasion I would like to thank Mr. Humayun Uddin and other seniors, who have been a wellspring of constant support for me from the very first day. I would also like to thank Mr. Zubair Ahmed Faisal, who guided me during my first live work for an American company named **Ahead Human Resources Ltd**. I am grateful to all these people at Data-Path Ltd. for their wholehearted collaboration.

Thanks to all he classmates who have propped up me during this time of my internship and tried their level best to help me in every possible way.

Ultimately, I would like to thank **United International University** for allowing experiencing self-development through practical experience.

Declaration

I, Syed Asrarul Haque Sami, a student of Bachelor of Business Administration, holding the ID: 114 172 002, would like to proclaim that the report of my internship titled "American Retirement Plan and the use of it in Bangladesh" antiquated merely by me under the supervision of my supervisor, Ms. Ishrat Jahan (Assistant Professor), School of Business and Economics, after the accomplishment of the internship program at Data-Path Ltd.

This report has been put together and submitted for educational reason only and it is a precondition for fulfilling of Bachelor of Business Administration at United International University.

By making this report has boosted my professional understanding and allowed me to relate the conceptual characteristic to the practical ways of dealing with the professional things. I convey my sincerest gratitude for having been allowed to make this report and I loved making this report.

Syed Asrarul Haque Sami
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Abstract

The report titled “American Retirement Plan and use of it in Bangladesh” is the agglomeration of the skills and knowledge during the internship period. This report aims to showcase the course of action and steps that are followed by the plan processors of Data-Path Ltd. The report has been subdivided into seven distinct chapters. The first chapter covers the motive and the objective of the report it also covers why this report has been prepared. It also covers the origin of the information that was used to finish this report. Second chapter offset a recapitulation of the firm and the motive behind the existence of the firm and how it came into execution. This section and the chapter also discuss the services and the clients of the company and the administering system of the company. Third Chapter shows the industry overview and how the company is growing. In chapter 4, the procedures, rules, and regulations of the American Retirement plan are discussed in detail. This chapter discusses how a firm can conduct its plan valuation and the steps that are required by the firm to be followed for a pension plan, till a sensible culmination is reached. Fifth chapter discusses the retirement plans steps and sequences that have been taken by Bangladesh. The chapter describes, in detail how Bangladesh is approaching this sector. Chapter 6 covers how the practice of the 401 (k) Plan can help Bangladesh to overcome pension plan problems. Chapter 7 includes the findings that I have got during my internship period, gave me recommendations regarding problems, and concluded the report.

List of Acronyms

JBS- July Business service

ACP - Average Contribution Percentage

ADP - Average Deferral Percentage

ASPPA - American Society of pension professionals and actuaries

DOL - Department of labor

DP - Data path

ERISA - Employee Retirement Income security act

IRS - Internal Revenue Service

IRC - Internal revenue code

RPF - Retirement Provident fund

SIMPLE - Saving incentives Match plans for employee

TPA - Third Party Administrator

LPR - Leave Preparatory to retirement

NHCE- Non Highly Compensated Employee.

Table of Content

Chapter One

Chapter 1: Introduction

An internship is a latitude that an employer offers a potential employee, called an intern, to work for a certain company or organization for a certain period of time. Trainees are generally fresh graduates or students, and most internships last between one to three months. The internship can be full-time or part-time, and the internship can be both paid and voluntary. Bangladesh has a well-known practice of hiring full-time paid interns.

The purpose of the internship is to provide the trainee with practical skills, work experience, discipline, and excellent knowledge of certain industry, and to give the employer the benefits of the trainee's work. Thus, an internship can provide an opportunity for students to put into practice the knowledge they have accumulated during their university time and to gain experience by solving a wide range of tasks. United International University (UIU) has interduced internship program into its curriculum for business graduates, allowing graduates to combine their classroom knowledge and ideas with practical applications and skills developed around professional environment.

The opportunities in this internship have allowed me to clench the knowledge of how retirement plans are being worked. I choose Data-Path Ltd, one of the major Outsourcing companies in our country. I was appointed to the Business Process Outsourcing (BPO) team conducting full retirement plan valuation of **ANEW Business Company (America)** based on which I have put together my internship report. This study helped me learn how American retirement plans work.

The objective of the Study

The BBA program equips students with theoretical knowledge that a business person should be aware of, however, the work environment may be significantly different from that described in textbooks. Work experience is essential for that knowledge to end and that is why internship is a pre-graduate form for our degree program. The placement policy states:

- To learn how third-party Association (TPA) firms operate the business.
- To obtain substantial understanding about the retirement plan operation followed by the firm.
- To learn how the evaluation process of the plan is formed and how it is implemented.

- Achieving multiskilled.
- Knowing about the implementation of live work.

Significance of the Study

After completing the internship, the student must write an internship report during the internship based on the work assigned to the student. Internship reports help students to:

- Promote advanced and written communication skills.
- Provides internship experience.
- Consider the professional experience of an internship program.
- Reflects the goals of the internship and how or whether they were achieved.

An internship gives chance to the students to generate a passage of connection that will help them in the future if they are willing to obtain a better job. This is mostly true for a country like Bangladesh where competition is growing rapidly and growing every day. Those without internship experience do not having this connection, it makes much more difficult for such students to find a good job.

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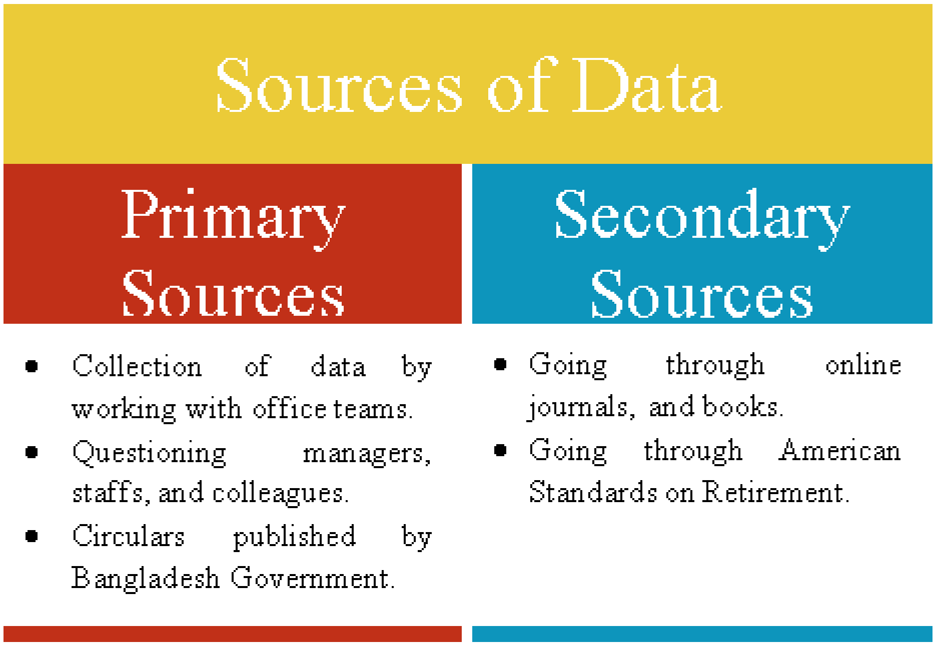
Methodology of the Study

The report was based on the experience gained from the assistance of seniors and colleagues and the supervisors concerned. The methodology of the study mostly covers up the sources through which the necessary data were collected. The sources are described below:

Sources of Data: This report was prepared on the basis of data collected from both primary and secondary sources.



Limitation of the Study

No job is without challenges, and the same is true for report preparation and work experience. Due to some limitations, preparing this report was a bit of a challenge. Which are stated below:

- There was not enough time to cover all the sections.
- Not much information is disclosed due to confidentiality.
- Failure to comply with applicable laws and procedures during pension planning review.

Chapter Two

Chapter 2: Organizational Overview

Data-Path Limited

The name of the company where I have accomplished my internship is Data-Path Limited. It is the first registered outsourcing company in Bangladesh. Data-Path Limited is a joint-venture company with **July Business Services**. It is working with July Business Services which is owned by Jim Hudson and John Humphrey. Moreover, Data-Path Ltd. is owned by Mr. Ashfaqur Rahman he is also the CEO of Data-Path Ltd. July Business Services plays a big role in the retirement plan industry in the U.S.A. Back in 2005, Data-path started the operation for July Business services on a trial base. In 2006, Data-Path Ltd was providing supportive operations to July Business Services. In 2008 they started working for July Business Services. The company hired skilled workers to work for the July Business Services. At the beginning, it had no more than 10 employees. But now more than 250 employees are working for this company with their great benefits. July Business Service has been working as a Professional Service provider for it's client and focusing on the USA 401(k) retirement industry and all other management services. It plays an important role in working closely with employers and associates for each services. It also helps in achiving the goals of the organization. This company has a lot of experience in this business. The company worked with a number of partners, including banks, investment advisers, mutual fund companies, brokerage firms and many more. At the end of 1996, the company had only 5 employees with 240 retirement plans. Now July Business Services has 250+ employees and around 5000+ Retirement Plans. Data-Path Ltd. first started its journey in Bangladesh back in 2006 in Uttara, Dhaka. At first, they started with only 6 highly talented personnel to build the foundation of the company. Later on, when the company grew to 50 employees the company shifted to Gulshan. By that time July Business services was downsizing their employees and was doing most of their work through Data-Path Ltd. Ltd. From 2015 the company started its rapid growth because of the Business Process Outsourcing Department. There were many other USA TPA firms in the USA who saw this outsourcing process as an opportunity just like July Business Services did. However, in spite of creating their own office, they started to outsource their business processes through Data-Path Ltd. as well. Currently, Data-path is working for 17 other TPA firm clients. However, Data-Path Ltd. is currently working in Dhaka. The current location of Data-Path Ltd. is Ambon Complex, (8th, 9th & 13th Floor) Mohakhali, Dhaka.

Vision

"Is to become the best retirement plan administrator in the USA"

Mission Statement

Is to provide financial advisors and plan sponsors with the ability to choose a retirement plan solution that best meets the goals of business owners and their employees by administering, refreshingly responsive, unbiased, reliable plan design, administration, recordkeeping, and consulting that encourages saving for retirement.

Core Values

Company values are a set of guiding fundamental and basic ideas that allow a group of people to work in a team and achieve a common purpose. The core values of DataPath Ltd. Are given below:

- Positive Attitude
- Embrace New Ideas
- Creative solution
- Celebrate success
- Commitment to people
- Teamwork
- Technical competence
- Result oriented
- Accountability
- Effective communication

Data-Path Limited and its Services

Data Path Ltd. offers customized solutions for improving efficiency for key Third-Party Administrator processes. The BPO Team is responsible for day-to-day service and plan administration for all JULY's and Datapath’s Outsourcing. In the USA, the retirement industry is very vital and plays an huge effect in this industry. It takes a big section of the USA economy. Employees put their pension plans money into Money Market. They invest their asset in multiple sources. That is why the USA has a huge money market. HHowever, the service that Data-Path provides are given Below:

Plan Desing: Before Starting any new RPF plan first it needs to be designed. There are many factors, laws, rules, and regulations that have to be kept in mind while designing an RPF plan. For example: designing the plan in such a way that it does not fail any discrimination tests, the benefits the owners most but does not discriminate against the normal employees, what types of contribution there will be in the plan, what types of employees will be excluded from the plan, etc.

Plan Setup: For new and running both RPF plans many types of paper works need to be done before assessing a year’s Plan statements. This process is called plan setup. Some steps of the plan set up processes are given below:

●Setup Paperwork

●Plan questionnaire

●Checklist

●RK statements

●Loa policy

●Amendment reports

●Plan documents/ adoption agreements

●Rollover policy

●Employee census

Plan Operation: In this step, the Data-Path takes all the steps to do the estimates, calculations, accounting procedures of the plan. Including email communication with the clients. Some processes of this stem are given below:

●Census import

●Census Checking

●Eligibility calculation

●Vesting calculation

●Contribution calculation

●Contribution allocation

●Contribution reconciliation

●Loan reconciliation

●Ending Balance reconciliation

●Asset reconciliation

Compliance Testing: There are many types of discrimination tests that are needed to be passed in order to be the plan valid by the law. In the step of service, the company conducts many different types of tests on the plan to check if the plan passes the tests or not. Name of some tests are given below:

●ADP ACP Testing

●Top Heavy Testing

●General Nondiscrimination Testing

●Minimum Coverage Testing

Tax Compliance: To comply with the US tax laws there are some statements that are needed to be prepared. Some of them are given below:

●Form 5500

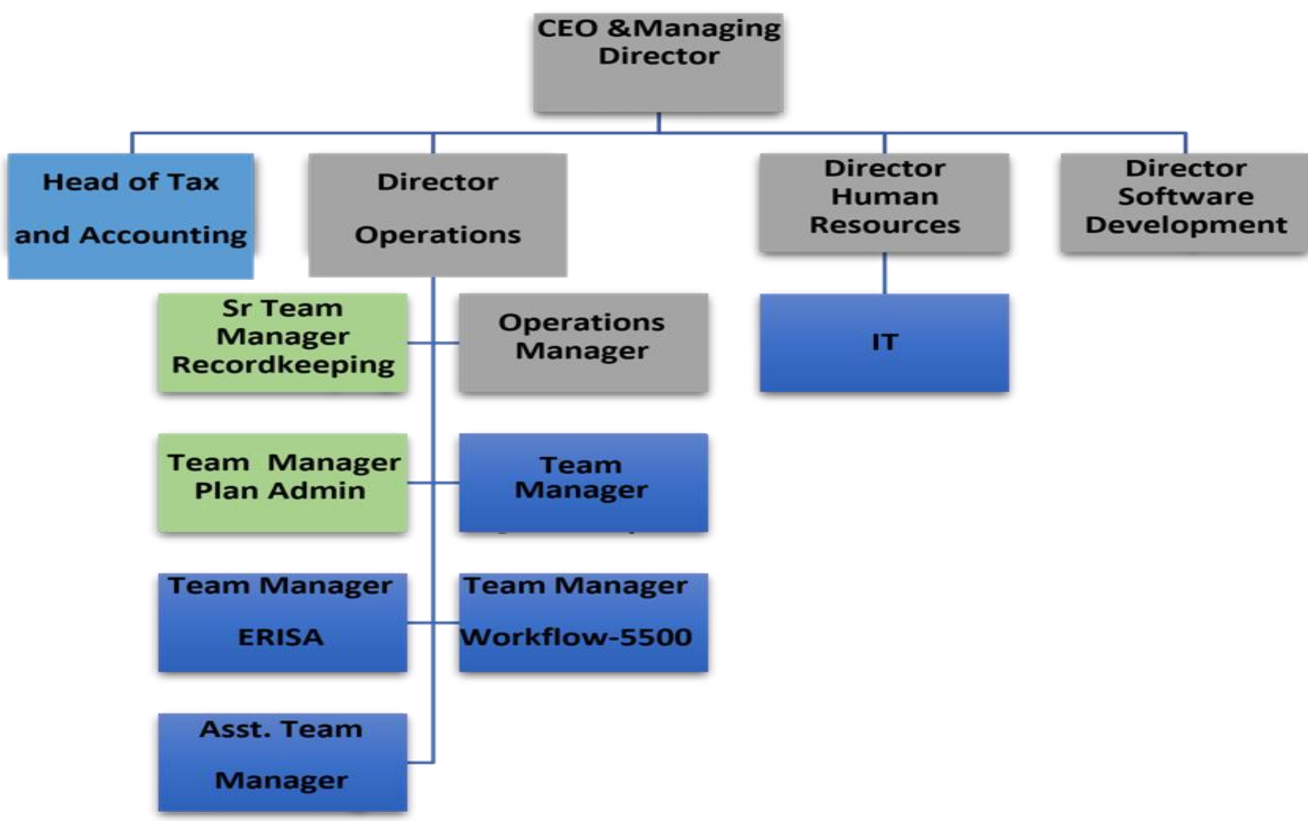
●Form 5330

●Form 1099-R & Form 945

●Form 5310 (for plan termination)

Investment Advise: In an RPF plan both the employer's and the employee's money does not just sit around in the Record keeper's bank. It usually gets invested so that the participants can gain an extra amount of money. Data-Path Ltd. Also works as an investment advisor and gives suggestions to the clients on which fields they can invest their money.

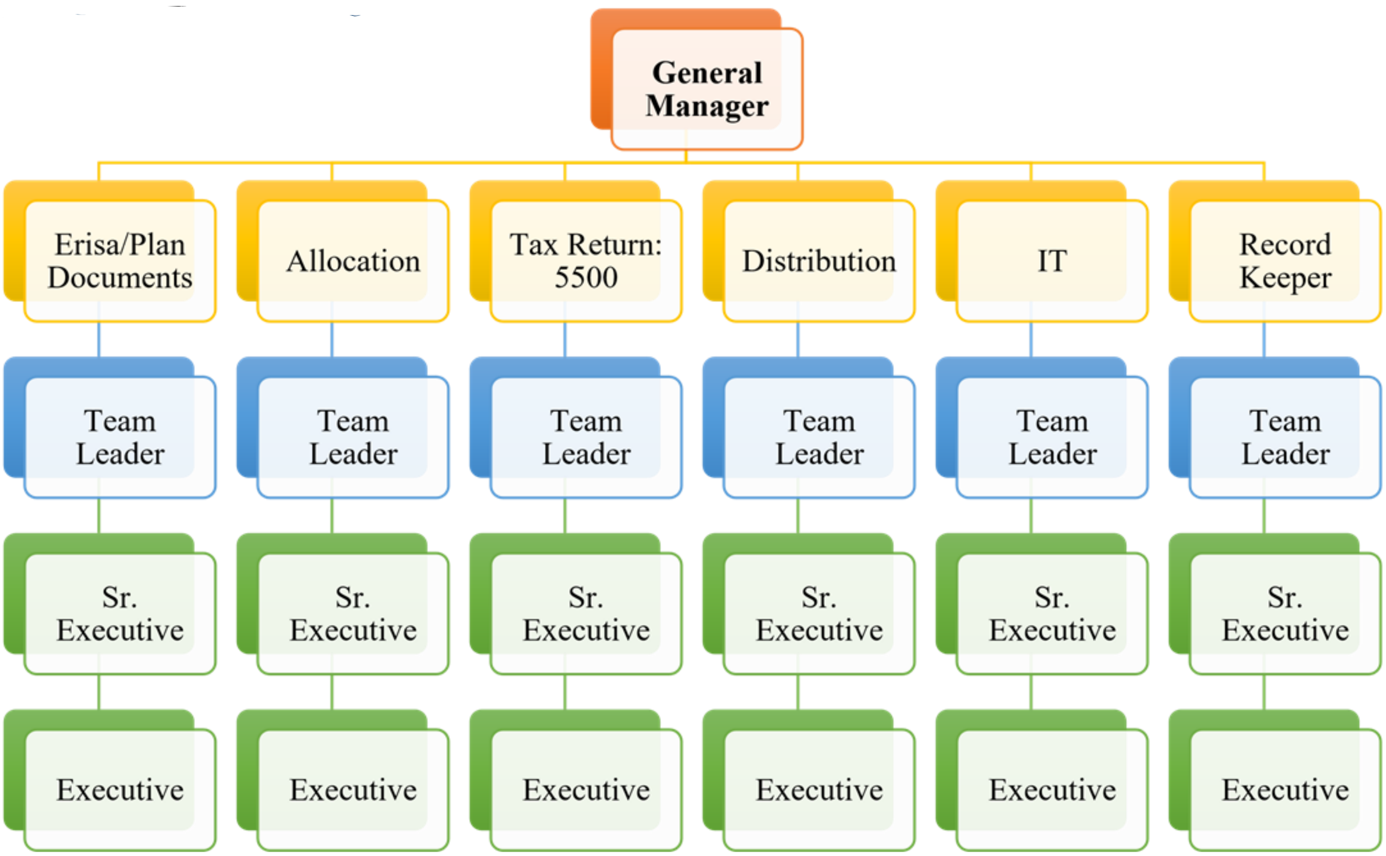
The Organizational Hierarchy of Data-Path Limited



Operation Details

Data Path Ltd. Began its voyage with a small number of employees and gradually the CEO setup a team of master class people. July Business Services always had mild impressive improvement in the retirement plan industry and covered a range of organizations and employees along the reliability. Also, July and Data Path Ltd. continually try to contact each other cooperatively.

Data-Path limited follow their unique hierarchical model for their operations which is visualised in the chart below:



Chapter Three

Chapter 3: Industry Analysis

Outsourcing

Outsourcing is a type of business where a company does full/part of its business process through another third-party company. This minimizes the company that is outsourcing their process's cost and boosts the overall productivity of the company. Data-Path Ltd. is an outsourcing company. In the USA the TPA industry is very complicated. Because of the complexity of the work, they usually need to hire highly skilled employees. And on average they have to pay them 10000$ a month. Which is huge. For that reason, some of the USA companies are now outsourcing their business process to third world countries. Where they can hire 10 employees with just 1 USA employees' salary. Data-Path Ltd. It specialized in outsourcing TPA industry-related works. Now, more than 17 TPA companies are outsourcing their business process through Data-Path Ltd.

Size, Trend & Maturity of the industry

Outsourcing is a huge industry. Most importantly the industry is only growing. Especially for a developing country like Bangladesh, there are a lot of opportunities for outsourcing industries. The TPA industry is a huge industry in the USA worth billions of dollars. In the past, they were not much into outsourcing their business processes. However, nowadays the trend has changed. Now they are downsizing their USA employees and outsourcing their business process. Just this year Data-Path was able to secure 5 more new TPA clients. And 3 are on one pending. Data-path Ltd. Estimated that within 2022 they will have more than 25 TPA clients.

External Economic Factors

Outsourcing is the new trend for any big successful business in this modern world. The outsourcing industry is now worth billions of billion dollars. Though Bangladesh is lacking behind at the present time in this industry. However, Companies like Data-path Ltd. Are now emerging in this country. As this company is specialized in the TPA industry and the TPA industry is a huge industry in the USA, there is a great chance that this company can bring a huge sum of foreign money in this country.

Technological Factors

At first, when Data-Path Ltd. Started, they only bought and used the most commonly used software used in the RPF industry. Now, In the RPF industry, each TPA client works very differently than others and uses different types of software. As Data-Path not only worked for July Business Services but also 17 other TPA clients it was very difficult at first. But now over time, they have managed to train their employees on much different software in the industry. Moreover, now Data-Path Ltd. Is now developing some of their own software. They plan to develop for their own use and also to sell in the USA RPF industry.

Barriers to entry

Entering this field of industry is not that easy but very complicated. First of all, a huge amount of technically skilled people is needed as only a very few people in this country have knowledge about RPF. For that reason, extended training is needed. Moreover, a huge amount of investment is also needed to establish this type of IT-based company. Most importantly, Trust is needed for the success of this type of outsourcing industry. As the RPF industry works with very sensitive information regarding USA citizens they usually do not trust other outsourcing companies with their sensitive information. As this may hamper the reputation of that TPA company.

Supplier and Buyer Power

In outsourcing, the supplier and the buyer relation cannot be seen visually. However, in this system the overall operation of the supplier has more potential as a consultant. The ability to communicate with such a group of employees directly affects the affairs of each party. Their marketing relationship is different.

The output of the goods are also improved. It can be stated that in earlier notable performance of supplier shows expanding upon believe can build their buying power where alternatively Buyer, who desires executive tough employee and expertise smooth artwork are prepared to pay more based totally on consider and records of supplier however they also protect robust location as competitiveness are raising each day in the middle of carrier Supplier (provider). For example, for preparing one Form 5500 they pay 250$ each. Now, Data-Path usually does more than 100 Form 5500 on average on a regular basis.

Threat of Substitutes

The biggest threat of substitutes in this industry would be software. Many software companies are now trying to develop software that can complete/create a whole RPF plan from scratch. Anyone with only a little knowledge regarding RPF would be able to use that software. However, those software's are years away from being developed. But for the time being there is no strong substitute for this industry if the USA government does not change the rule of regulation regarding RPF.

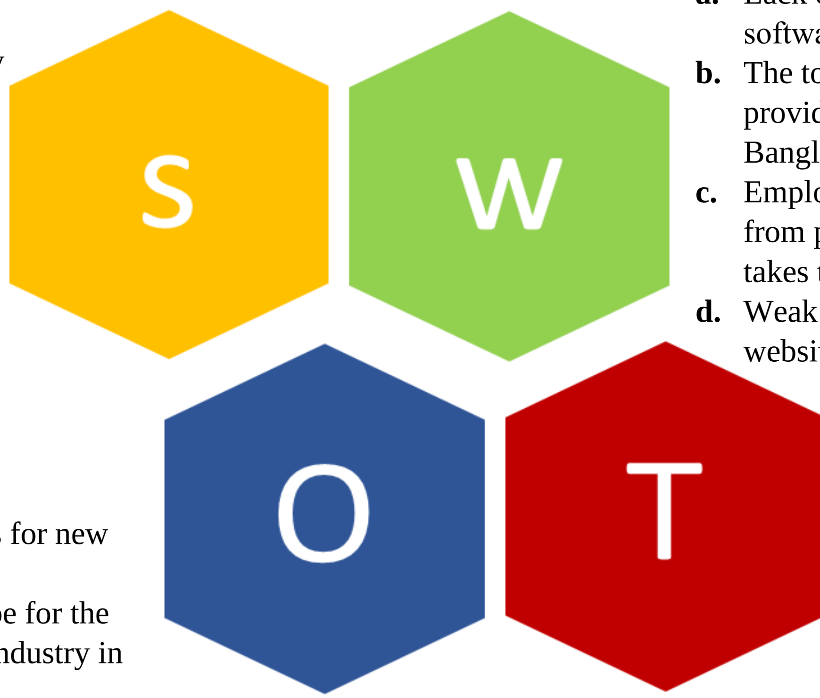
Industry Rivalry

The biggest rival in the industry would be "Fin source", another RPF outsourcing firm in Bangladesh. Back in 2011 some of Data-Path Ltd.'s senior employees left and created their own RPF outsourcing company called "Fin Source". Apart from them, there is no other competitor in the market at the present.

SWOT Analysis

a. Secured software and IT-based service.
b. Almost No competitive rivalry in the market
c. Offer lowest price from the TPA's of the USA.
d. Stable growth in business in Bangladesh
e. It helps to earn Bangladesh more foreign remittance.
f. Gained Trust from other TPA's over many years.

a. Lack of well-developed software's
b. The totally new industry to provide service in Bangladesh
c. Employees must be trained from primary level, and it takes time.
d. Weak marketing project and website.



a. Opportunities for new employment
b. Creating scope for the outsourcing industry in Bangladesh.
c. Making strategic partnerships with different companies around the world.
d. Workflow depends on the US economy

a. Clients are not bound to promissory

b. Have to depend fully on USA third-party companies.

c. Some new competitors are arising in the local market

d. Not a well-known service zone in Bangladesh

Chapter Four

Chapter 4: American Retirement Plan

American Retirement Policy

There are many specific attributes of US pension policy for which these are very popular and broadly used by both government and NGO's even in the case of individual ownership.

A 401(k) plan is a pension savings plan provided by many American employers that include tax benefits for savings. It is called in part of the US Internal Revenue Code. An employee who undertakes the 401(k) agree upon to pay a direct percentage of each check into the investment account. The employee can choose from a variety of investment options, usually mutual funds. USA retirement pension Policy is highly supervised and audited by three governing bodies of the USA. They are:

A. **IRS**

B. **DOL**

C. **ASPAA**

IRS set the rules and regulation of the Employer and Employees contribution in the retirement fund and provide the tax information of every citizen. IRS imposed the taxation amount on different types of retirement plans. Also, IRS has been involved in auditing Form -5500 reports, taxation reports, Wages, and compensation reports.

DOL works for the welfare of the Labor. DOL sets the laws for wages and hours, workers Compensation, Employee benefits security, financial aid for the employee, safe workplace and health, etc.

ASPAA is the principle governing body of retirement pension policy in the USA. The function of ASPAA is to set the standard rules for eligibility, Vesting, Discrimination, and other compliance issues. ASPAA audit the plan valuation, Investment summary, and other compliance reports for verification and validation. IRS, DOL, and ASPAA evaluate the retirement policy and propose to the USA government if any amendment requires for the improvement of the retirement policy. The role of these three governing bodies is to ensure transparency in the system.

How 401 (k) Plan Works

The United States Congress enacted a 401 (k) plan to inspire Americans to save for retirement. One of the advantages they provide is tax protection. There are two main advantages of tax, that the government provides to the employees of America who participate in the 401 (k) plan.

1. **Traditional 401 (k**): According to traditional 401(k), employee contributions are deducted from the principal amount, that is, the amount is deducted from the employee's salary before deducting income tax. As a result, employee income tax is deducted from the total contribution for the year and can be reported as a tax deduction for the tax year. No contributions are made for the intervention carried out until the employee take out the money, usually the pension.

2. **Roth 401(k**): Under Roth 401 (k), contributions are subtracted from employee's income after tax, defines those contributions came from employee salaries after income tax has been deducted. As a result, there will be no tax cuts in the current year. When old age is deducted, no additional tax is payable on employee contributions or investment.

   However, not all employers provide the Roth account option. By giving Roth, the employee may choose one or accumulate both type of contribution, up to the yearly limit on the tax-exempted contributions.

Types of Plans

There are many types of Benefit plan that is sponsored by the Employer for the Employees based on the types of Organization. Employers provide the benefits of the Employee based on the wages structure and in some cases, Employer bear the financial expenses without imposing any allocation condition like leave paid, paid fully for incomplete working hour. In most of the time, Employee and Employer bear the expenses of pension funding.

Employee Benefit Plan: For the development of the Employee and their family's overall financial, social, and mental condition, Employers provide benefits like vacation time, health and life insurance, Disability income, and retirement plan. Some of the benefits are designed to ensure the safety of the Employees' financial security during the adverse period. Enhancing the Employee benefit reduces the turnover rate and increases efficiency in the workplace. Employee demands for the additional benefit outside the monetary facilities. Employee Benefit plans are categorized into two parts.

- Welfare benefit plan includes from vacation payment to health and life insurance.
- Retirement income from pension benefit plan.

Welfare Benefit Plan Includes:

1. Benefits during sickness, accident, disability, or death.
2. Unemployment benefits.
3. Vacation benefits.
4. Aid or other teaching programs.
5. Daycare centers.
6. Scholarship funds.
7. Paid legal services.
8. Division pays. It is not included in retirement and Survivor.

Pension Benefit Plan: ERISA recognized the Employee benefit plan as any plan when funding is p prolonged by the employer or employee organization follows:

- Provide Retirement Income.
- Deferral of Taxable income portion until it is distributed.

A plan provides the following benefits that belong to the employee retirement benefit plan:

- pension benefit for service or age.
- Disability pension benefits.

- Retirement benefits from Accumulated savings.
- employee Account Plan Such as deferral of income for extending period, profit-sharing plan.

The retirement benefit plan is sponsored by the employer and this Plan is of two types:

1. Defined Benefit Plan.
2. Defined Contribution Plan.

Defined Benefit Plan: A defined benefit plan guarantees that a certain amount of money will be paid out at a certain age when you retire. These plans determine the amount of retirement benefits to be distributed, not the amount of contributions to be paid into the participant's personal account. The formula set out in the planning agreement is used to calculate the actual benefit. Benefits are usually paid at a future date, for example when you reach the age of 65. Some plans also provide benefits in the event of a participant's death before retirement or for disability.In most defined benefit plans, the benefit are to be paid as an income, which is a sequence of normally equal disbursement given at predetermined interim, in the manner of yearly or monthly basis.

Defined Contribution Plan: A defined contribution plan is most of the time is called as an individual account plan because each member has his or her own account These programs show the amount to be credited into the participant's account. For example, a plan may provide that every eligible member will receive 5 percent of Compensation or a specific portion of the overall plan contribution, based on their pay.

<u>An Illustration on Defined contribution plan</u>

Suppose, Participant X works as an accountant for ABC organization and have an income of $50,000 during the year. If the plan provides contributions of 5% of the compensation, Participant A will receive an annual contribution of $2,550 ($50,000 x 5%). This amount will be credited to personal account of participant X’s of this plan.

Types of Defined Contribution Plan

There are different types of defined contribution plans. This plan operates individual participants' accounts separately. Here, each and every plan sets a limit on how much money you can deposit into a participant's account. Contrary the defined benefit plan, there is no insurance benefit to be paid upon retirement. The participant will carry the risk of investment. Different types of defined contribution plans are given below:

a. Profit Sharing Plan.

b. SIMPLE Plan.

c. Money Purchase Plan.

d. Stock Bonus and Employee Stock Ownership Plans.

e. Other types of tax-advantaged arrangements.

Profit-Sharing Plan: Participants of the plan can be compensated with a portion of the company's income or revenue that was generated because of their efforts through a profit-sharing scheme. The amount donated to the plan each year is at the discretion of the employer, who is not required to settel the payment on definite revenue. Although this types plan do not need to specify how much would be given each year, it must include a method for doing so.

Example of PS Allocation: The employer contributes $ 60,000 to the current profit-sharing plan. The distribution system stipulates that the participants will share the profit in proportion to the participants compensation. If the payoff for all participants is eligible in the plan for a profit-sharing grant is $600,000 and the per capita income for the participant is $60,000, the participant will receive 10% ($60,000 / $600,000) of user contribution or $ 6,000.

As a result, a business regularly selects a profit-sharing plan for its employees because it may determine how much to spend on the plan yearly depending on its financial situation. The employer may choose not to contribute in a year when it makes little or zero rates of return, or when the money will be spent for other business needs. Despite the fact that in a profit-sharing plan it is always not required to make a predetermined yearly payment, profit-sharing contributions should be considerable and recurrent trim to keep the plan Active. Although the employer may determine the amount of the profit share each year, the maximum amount that the employer can exclude from the tax return is 25% of the participant's eligible salary.

SIMPLE Plan: SIMPLEs (Savings Incentive Match Plans for Employees) was created to meet the demands of small companies and to make qualifying plan management easier for its organizers. SIMPLE plans have to be the employer's sole plan, and SIMPLEs are only available to firms with 100 or fewer staff. If the employer pays the appropriate payments, all SIMPLE plans are excluded from nondiscrimination testing. SIMPLE plans should never be mixed with Simplified Employee Pensions, despite their similar titles. SIMPLEs are divided into two categories. There are two types of SIMPLEs:

- SIMPLE IRAs
- SIMPLE 401 (k) Plan.

Money Purchase Plan: Because both are individual account plans, a money purchase plan and a profit-sharing plan seem remarkably similar. However, there are significant distinctions. While profit-sharing payments are made at the discretion of the employer, a money purchase plan requires the company to spend a certain amount or percentage of the members' income on the plan year basis. The plan document contains the unique contribution formula.

Example on Money Purchase Allocation. Participant W's income is $60,000 from XYZ Company, a sponsor of a money purchase plan holds a contribution formula of 10% of eligible compensation. The plan's allotment formula is the same as the contribution formula. The Participant's required allocation for the year would be $60,000 x 10% = $6,000.

Stock plans

Stock Bonus Plan: A stock bonus plan is a profit-sharing scheme in which terminated or retired employees get shares of company stock as an incentive. Shares bonus programs are a sort of profit-sharing plan that allows for optional contribution rules and allows employers to contribute to the money or business stock. When people make financial contributions to the plan, they are usually utilized to buy business shares through the plan. Employees who receive dividends have the option to sell their shares once again to the company for cash on specific dates declared by the company. If the company stock is not a common stock that can be traded on the open market.

Employee Stock Ownership Plan (ESOPs): An ESOP can be each of two a stock bonus plan with a selective benefaction method whether a hybrid stock bonus and money purchase plan, with the need of minimum funding amount being donated in the shape of or make use of to acquire organizations share. One part of a plan, such as an employer stock investment inside a profit-sharing plan's 401(k) element, can also be classified as an ESOP. A plan or part of a plan should be financed largely in the employer's shares to qualify as an ESOP.

Safe Harbor 401(K) Plan: Safe harbor 401 (k) Plan is close to the traditional 401(k) Plan. In this plan, the Employer has to contribute to an individual employee. Employer contribution is

100% vested. The of this plan exemption of Tax on contribution. This plan is three types • Basic match

1. Enhanced match.
2. SH Non-elective.

Contribution and Deduction

A defined contribution plan document's contributions and allocation's part will describe how the amount of a mandatory or optional contribution is calculated. Profit-sharing plan sponsors have a choice above the number of profit-sharing payments put together every year if any. Sponsors of profit-sharing plans, in a particular year, may contribute to the maximum limit as the IRS has set. The plan paperwork will also include any employer matching contribution method for 401(k) plans.

Deductibility of Employer Contributions: The highest tax nondutiable contribution for an employer who sponsors a profit-sharing plan or money purchase plan, or both will be 25% of qualified participants' total gross earnings. Compensation is calculated depending on the plan sponsor's fiscal year instead of the plan year when determining the tax-deductible contribution. The plan year is usually intended to coexist with the plan sponsor's fiscal year; however, this is not always the case. Each qualified participant's compensation is not allowed in these computations to the maximum amount of gross compensation yearly that can be considered for plan purposes under the Internal Revenue Code ($230,000 as indexed in 2008).

Example:

a. Participant A's compensation $200,000

b. Participant B's compensation $255,000

c. All other participants $600,000*

Total elective deferrals $ 60,000

Total eligible compensation before the compensation limit is applied is $1055000 ($200,000 + $255,000 + $600,000).

The amount of compensation in excess of the compensation limit is $25000

($255,000 – $230,000))

The net eligible compensation for deduction purposes is $960,000 ($985,000 - $25,000).

The maximum tax-deductible contribution is $257,500 ($1030,000 x 25%).

Primary Plan Document Language

Compensation: A plan document's benefit and contribution or allocation sections usually include a reference to the definition of compensation. The overall compensation of a contributor is regularly used for the reason of benefit and contribution. On the other hand, plan sponsors are entitled to add or remove some portion of compensation, such as discretionary deferrals and moving costs, as long as the outcome is the definition compensation that must be under the maximum limit of compensation declared by IRS.

Eligibility Employees: The definition of participants and enable workers are the beginning step to determine who is authorized to enroll or is treated in this plan, as well as who is not. For example, the definition of employee generally states that all employees are eligible to participate in the program, who have source of income in the United States except for non-resident foreigners, and that collective employees, such as union employees, are covered by this contract. In most situations the word "qualified" means a person who meets the definition of an employee and meets the eligibility requirements. Due to the common cross-referencing of eligibility calculations, these words are sometimes found in the plan section of the documents rather than in the definition section.

Fiscal and Plan year: Fiscal year can mean calendar year or odd year. If any plan sponsor chooses the calendar year. The plan will begin on January 1st and ends on Dec 31st. Plan year can be an odd year; Plan sponsor can start the plan on July 1st of 2019 and ends on June 31st of 2020. In this case, the odd plan year is the fiscal year, and the plan sponsor will choose an option from the plan document.

Normal Retirement Date and Age: Some planners distinguish between the concepts of a normal retirement age and a normal retirement date, while others confuse with these two. The term "normal retirement age" refers to a certain age, such as 65 years. Indicated age and seniority, such as 65 years, range of service and the fifth jubilee of the first inducting of the participant in the plan.

Hours of Services: Since every applicable regulation must obey with the Internal Revenue Code and the Department of Labor, the levels of service hours are consistent. Employees often work based on hours of service such as the calculation of one -hour pay, which may be time off for vacation, holidays, illness, or military leave. In addition, the grant application must state the number of hours required to complete the eligibility, grant, and grant allocation criteria during the whole year of that plan, whether there are any. According to IRS rules, the average hours of services is 1000 hours.

Year of Service: The first year of the service time frame are normally the twelve full months ending on the anniversary of the employee's date of hiring for evaluating an individual worker need to be eligible to participate in the plan. If any worker does not fulfill the requirement of 1,000 hours in the inceptive 12-month period after starting work, the timeframe for determining the service of years for eligibility will be switched to the plan year. Plan sponsor provides the year of service from plan docs and the standard year of service is 12 consecutive months.

Example of Year of Service: Participant A is hired on July 26, 2020. Per week works for 45 hours. As of July 26, 2021, the employee already worked for 1000 hours and more in that twelve-month period on the date of hire and is credited with a year of service.

Highly Compensated Employee: Highly compensated employee will be recognized in the plan if the participant meets the following criteria

- If the Participant has more than 5% ownership over the Asset.
- Compensation is more than HCE comp on the Lookback year and Current Year.
- If the participant has a relative in the plan and the family attribution is two generations up and one down. That relative will be counted as HCE.

Key Employee: Key employee will be recognized if the employee meets the following Criteria

- If the Employee holds more than 1% ownership with exceeding compensation $150,000.
- If the Employee holds more than 5% ownership.
- Employee has annual Compensation of $150,000 or more for 2021 (as index) with an officer.

Testing: Testing is done to avoid the discrimination between HCE and Non HCE employee. The following testing are required

Top Heavy testing.

- Coverage testing.
- Compensation testing.
- ADP/ ACP testing.

If the plan passes all of the above testing, then the plan is non-discriminating plan but If the plan fails then the process of refunding or exclusion of the participant requires. All the plan requires testing based on the Plan type.

Chapter Five

Chapter 5: Bangladesh Retirement Plan

Bangladesh Retirement Policy

Bangladesh Government has introduced modified pension rules in the year of 1972. In the modified rules, retirement was issued based on the fixed payment on average 12 months compensation in lieu of 36 months. In 1974, Pension was paid based on the percentage of the last payment in leu of twelve months standard pay. The highest amount paid was 60% of the last payment. Again in 1977, the new retirement amount was fixed at 80% of the primary pay scale. Finally, in 1994, the Bangladesh government has imposed common pension rules and regulations for the govt service holder.

Compensation Pension

This retirement money is given to the government personnel who have foregone their status as a result of the government shrinking of few agencies or organizations who maintain the size of the economic. An employee of government might be compensated for his previous work. And he or she gets assigned to a new position or moved to another organization. The method entails compiling a list of govt officials who will lose their jobs for the least amount of money possible. The crucial element is that by eliminating the posts, the government's revenue must be boosted. The govt's earnings must be more than the amount of the pension to be paid in this process. However, any employee is terminated from a place after completing his or her work under defined working conditions, they will not be eligible for a retirement plan. The payment of pensions or compensating allowance for the loss of any particular salary is not permitted. School instructors or other workers who do postal department tasks in addition to their own are not eligible for a pension if they are discharged from the department. The following must be noted:

a. If there is a change in the official responsibility, the salary pension, and gratuities payment should be shown to the employee in accordance with the regulations

b. If an employee is employed in two positions and one of them is abolished, and either the employee or the authority wants to resign, the government will make decisions.

c. If a notice of layoff of regular workers is given with a time frame of less than three months, equivalent compensation is to be paid for the time frame that falls short of three months.

d. When an employee is rehired, he or she plans to repay the remuneration. He or she can do so by implying a power struggle. A temporary employee, on the other hand, is unable to do so.

Invalid Pension

If an employee becomes mentally and physically disabled, the government will pay them an invalid pension. If a participant requests for inactive pension prior to get to the age of 57, the office chief will execute the authorization for invalidation of pension through a medical report, as per Bangladesh service laws.

A. If a participant appeal for an inactive pension while on leave overseas, he or she will be expected to apply prior to the Medical Board at the Bangladesh embassy in that country.

B. The person must file an application for an invalid pension in the specified form, together with medical board recommendations and supporting documentation.

C. The organization granting an inactivated pension to a workers or employee must provide a short declaration under a cover sealed letter to the health checking medical specialist or the Board, detailing the sorts of treatment the person has received.

D. Employees under the age of 57 will be needed to present a Medical Service Report in order to receive an invalid pension. The certificate must be stated that the employee is unable to work due to his or her older age.

E. The certificate of medical issues must have been in specified format. Problem here in this scenario is that obtaining a medical certificate in a timely manner is extremely difficult which causes to receive the late invalid pension.

Superannuation Pension

When a government employee reaches a particular age, he or she receives a special pension. This is spelled forth in the Public Service Act of 1974. The pensionable age is 57 years. However, it later rose to 65 years for judges and university students. The main problem with this pension is that the actual date of birth is not often available, therefore the date of birth is estimated, and the age is ignored.

Retiring Pension

In accordance with the law, authority can release a public employee at any time after 25 years of servicing if it considers it essential in the regards of the people. This power, however, cannot be exercised by any other adjudicator. If a subordinate adjudicator wishes to retire an employee after 25 years of surviving, that authority should make a proposal to the appropriate ministry. The matter of retiring for gazette officers would be brought to the President of Bangladesh for his or her consideration.

Option Pension

After 25 years of servicing, a public worker owns the absolute right to stand down from employment at any time, with the individual requirement The government has a duty to accept the option in this situation and has no legal reason to refuse. However, once executed, such a choice is inevitable and cannot be changed or revoked.

Family Pension

When an employee with pension plan dies, his family members are eligible for a pension, which is referred to as a family pension. If a government employee stays in service at any moment, he or she can nominate his or her children as a replacement, but if no one else is available, the governing authority will choose the replacement for the family pension.

Leave preparatory to Retirement (LPR)

After completing the 58th year of age, the term of this vacation will be extended. If the retiree has speeded vacation to his or her credit after completing the LPR, he or she will be eligible for 12 months' salary for unused paid leave.

Gratuity

After twenty-five years of pensionable services, the government authorize the retiring individual to getting a gratuity of up to 80% of their remuneration. He contributes it in place of 50% of his gross pension, which he is required to contribute at the rate of taka 200 per taka. The remainder will be distributed on a 50 percent basis at a rate of taka 100.

Government Accommodation

Pensioners or their families have the right to remain in assigned accommodation, including death, dismissal and forced resignation. If the retired worker (assigned)'s term of office ends, the family is allowed to live in the apartment for two years according to the criteria stated from the day of death of the retired employee.

benevolent Fund

If a retiree dies while at work or within five years of retirement, his or her family will receive a 10-year fixed income payment.

Group Insurance

The government has created a group insurance system. With the exception of employees of categories III and IV, all employees are required to pay insurance premiums at the rates established by the Fund. The Board is responsible for this. Anyone who works in the state can recommend someone to take money from the fund. If a person dies while working, the foundation will provide financial support to his family. The total amount of money will not exceed $100,000.

Chapter Six

Chapter 6: How Bangladesh Can Utilize American System

Retirement policy should be introduced for Private Organization

A private-sector retirement fund program might be established. It does, however, different from government regulations in a minor way. If the government introduces otherwise provides a retirement program accessible to all Bangladeshi industries. Each of them will be benefited from it. They must be eligible for such benefits from the government's retirement fund as a Bangladeshi employee.

Introducing a responsible Organization

Each government entity has a retirement plan. For pension policy, a third-party organization would be preferable. To create a pension plan, it is needed to build up an organization. It will alleviate the pressure and Bangladesh might be able to create a much accountable and trustworthy company. Since the United States has a TPA for distribution, Bangladesh should have this type of organization as well. To form a pragmatic policy, the contribution, deferral of Bangladesh can be handled by a very responsible, trusted organization. The people need his team, and he will not interfere with others.

Should Encourage for Provident fund

Not all employees have a bank account. Therefore, the Government should encourage their bank employees to monitor by helping to provide incentives and new entrants. Family support is the main security of most retirees in Bangladesh. Leaders of the policy sector and management groups to implement the social definition behind it, have little to do at home. The idea is that there is a need to develop an appropriate age and pension tool, which does not consider all segments of society, to meet the accepted responsibilities for the social safety of those who have retire and follow the basic principles of humanity. Talking about the benefits of running a prudent account and the limits of not keeping a prudent bank account can also motivate them, which is important for the well -being of employees and management authorities.

Must be aware of the contribution

Employees need to have an idea about their income where the money is being invested or going. If the organization is responsible for working on the retirement plan, it is able to invest the income in some stable position. Organizations like this can own a store for attendees. These participants can claim interest and dividends by sharing their money. The income will increase for everyone.

Should have rules for HCE/ NHCE

The Bangladeshi government should further hint at some rules on high-paid workers to overcome inconsistencies within high-paid and non-well-paid workers. The original deferral and contribution percentages and limits can be used to reduce this difference. If this is being followed, then NHCE will be benefit.

Should increase self- dependency

In old age, children are human settlements for them. This practice has been rejected. If workers are able to work hard and save the right amount of money, it will give independence to the retiree. Lawmakers need to improve their retirement policies. They can follow related rules of The United Sates of America.

How to Solve Retirement Plan Problems

After a brief discussion between the USA and Bangladesh retirement policies. So many Issues have been found out and they need to be solved to have a proper retirement system in our country. Some of the solutions from my knowledge is given below:

SL	Solutions
1	USA maintains the retirement policy based on the rules of the IRS, DOL, and ASPAA where It is exceptional in BD. BD government maintains the pension policy for the Govt service holder and no dedicated organization works for the development of the Pension policy.
2	Plan valuation has been audited by the IRS and other financial reporting of the plan includes assets, liabilities that are audited by CA. IRS also audits Form-5500. In Bangladesh, pension funds are not audited and maintained properly. So, the question arises regarding the fraudulence activity and transparency in the pension system. So, a regulatory body is needed for the transparency of the pension plan.
3	There are no fixed retirement policy for the non-government sectors and the employee receives the gratuity at retirement. It lacks financial security for the employee.
4	Bangladesh government imposed the pension policy, and it is almost the same for all the public servants. The pension amount is given based on the employee position of the organization. The higher designated employee receives the higher pension amount, and the lower designated employee receives a lower pension amount. This pension amount is not justified for the lower designated employee as they receive much lower than the higher designated employee. So, discrimination exists in the Bangladesh pension policy whereas the USA retirement policy has specific discrimination rules to avoid discrimination between HCE and NHCE.
5	In the USA, every year deferral limit and the Employer contribution limit increase so that people can deposit more money in the pension fund for the higher return during the retirement period but in Bangladesh pension, Govt set the Pension amount which is not favorable for all the employees. So, this has to be solved.

Chapter Seven

Chapter 7: Findings, Recommendation, and Conclusion

Findings

Throughout my internship period working on the retirement plans of the USA, it gave me a variety of knowledge. It helped me to find out the differences of the pension program sector of the Bangladesh and USA. Moreover, pension plan is provided only in government sectors here in Bangladesh. Most of the private sectors are lacking behind these pension plans and provident funds in our country. We have no dedicated regulatory body of pension plans who will look forward to keeping the transparency, rules, and regulations of the retirement plans. We have no specific rules to avoid discrimination between higher-level employees and lower-level employees. Lack of awareness among the employees regarding their contributions to the plans. We are also lacking behind in the money market as we don't have a strong retirement sector to invest money into the market. Because of that, we are lacking behind on our potential money market. Pension amount is not adjusted per year but the cost of living per year is increasing which affects the living standard of the Pensioners.

Recommendation

I have noticed various variations and problems in Bangladesh's pension policy. I have made smart estimates for both the Data-path and the Bangladesh Pension Fund. To explain this situation, I would like to make a fair and certain recommendation.

For Data-Path Ltd:

Appointing the right candidate: The recruitment strategy must be aimed to appoint the appropriate individual in the correct position at the exact moment. Data-path must choose the most straightforward and talented people for the placement. To maintain the standard and effectiveness in the workplace, it must be controlled. The employee must be educated about the retirement and pension benefits available in the USA. As a result, the training should be performed to the fullest extent possible. Because they will be interacting with clients and US advisors, they must be effective communicators. They should be prepared to take on additional work in the busiest season too.

Increasing Recruitment Advertisement: Data path must have to increase its Advertisement for the recruitment. Data path Ltd operates its recruitment advertisement online but it needs to post its recruitment advertisement in newspapers and other offline platforms too. As the number of clients is increasing and the demand of the employee is also increasing to meet up the additional client's services. So, the chances of the selecting right person will be more appropriate if the recruitment advertisement can be increased on both online and offline platforms.

For Bangladesh

Thinking of the future of the growing economy, Bangladesh should also focus on retirement plans. It will definitely bring good fortune to our economy. It will also help us in our rapid growth. Moreover, the employees of our country will be benefitted too. The problem of discrimination can be solved forever in our working sectors. Each and every employee will be served equally. Strong laws and regulations can empower our retirement sectors. It can increase the interest of pension plans to the private sector as well. The employee of the Private Organization is deprived of pension facility as most of the private organization doesn't maintain pension fund. Government should take initiative to encourage private companies for maintaining pension funds. The pension amount should be adjusted per year as the living cost increases each year.

Conclusion

From the brief description of the USA and Bangladesh retirement policy, it can be concluded that the USA pension policy encourages people to invest their money into the pension fund. All types of retirement benefit plans in the USA have formal guidelines and standard rules. Plan Sponsor must have to meet the standard rules to keep the plan active and any breaches of the rule must be penalized. So, tight supervision brings a positive impact in the retirement industry. Another advantage is a tax benefit, Employer can choose the deferral that gives the most tax advantages. The retirement policy set up the discrimination threshold criteria so that no chances of discrimination take place. In the case of BD perspective, Govt is the sole controller of the pension policy which is not accepted by all the employees as the pension amount is paid to the higher designated employee is much more than the lower designated employee. Also, the pension amount is insufficient to meet the cost of living. If the third-party organization would have been built for the development of the retirement strategy, at that time equity in the retirement policy could be established. It can be concluded that the USA pension industry is more organized than BD and BD pension policy needs to be updated in response to the economic changes.

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