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

datapath

UNITED INTERNATIONAL UNIVERSITY

INTERNSHIP REPORT

On

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

SUBMITED TO

Nusrat Farzana
Assistant professor
School of Business and Economics
United International University

SUBMITED BY

Md. Sabbir Ahmed
ID: 111 142 092

Date of Submission: April 17, 2019

Letter of Transmittal

April 17, 2019

Nusrat Farzana
Assistant professor
School of Business Economics
United International University

Subject: ***Authorization Letter for Prostration of Internship Report.***

Dear Mam,

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 more supported me to do this report.

In preparing this internship organization report, I have complied with the directions of my organization supervisor while at the corresponding time I examined to understand 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.

Sincerely Yours,

Ahmed

Md. Sabbir Ahmed
ID: 111 142 092
BBA in Finance
United International University

Acknowledgment

The internship program is a prerequisite for acquiring a BBA degree. Before fulfillment of the degree, individual and all student must fulfill the internship program. Internship, in the new business environment, encourages students to demonstrate facilities and support from their supervised participation and it additionally qualifies them to confirm prime of life and adequate professional, personal and interpersonal conduct. It is an occasion for the students to grow accustomed to the real-life profession into this program. The wonder and victories finishing of this report is the result of the involvement of the number of people and entering a new, challenging and real-life area, and the glory is going towards especially those who gave me time and share their thoughts and gave suggestions to prepare this report. I will pay modest appreciation to the almighty for giving me the ability and patience to complete this report. First I would wish to prove my appreciation to Omnipotent God.

It is a great joy for anyone when the targeted tasks have been completed successfully. I got this kind of flavor after completing this research. Because I believe most of the time my works were in the right track.

The proposal of this report on "Comparative Study on Retirement Plan between Bangladesh and the United States of America (USA)" is prepared by Md. Sabbir Ahmed under the supervision and guidance of Nusrat Farzana, Assistant professor, United International University to meet the requirement of the internship program of BBA.

I am an employee of Data-Path Ltd. from 21st January 2019. It is very complicated to accomplish such a study without a cooperative endeavor. From the very outset of preparing this report, I had to observe the total USA retirement process and taking an interview from the Khandaker Fazle Rabbi (HR) of Data-path Ltd. He helped in different events. If I did not get his help and cordial behavior, I could not be able to prepare this report.

I stand further thankful upon those personalities externally what that held considerably impracticable because me to maintain this report. My particular gratitude go over Imran Qaosar (Team Leader), Jahid Hasan Bhuiyan, Ifthekar Newaz Noor, Abu Bakar Siddik Shakil, I would also like to give thanks to the Mahfuzur Robbani, Manager, Distribution Department, Bangladesh, Beth Mocek , Distributions Manager, USA, Mayeen Naomee, Team Leader, Bundled Plan, Farzana Haque, Team Leader, Daily Recordkeeper, Saladin-Bin Rouf, Sr. Executive, including others. Through my internship paper, I prepared no appearance whatever challenge willingly I experienced my personal & each time.

At last, my sincere thanks go to my friends, teachers and all the employees of Data Path Limited (Bangladesh) and July Business Services (USA) for their helping attitude and sharing their thoughts to prepare this report.

Finally, I like to say that, I have prepared this report paper from my own limited knowledge and experience. I am ready to accept my unwilling errors and omission that extremely belong to me.

Executive Summary

This whole report demonstrates about the Data Path Ltd., retirement plan services, outsourcing and offshoring business, Distributions Department and their activities, strength, opportunities, weakness, threats, recommendations on this issues, etcetera's.

Few entrepreneurs of the United State of America want to outsource their business. They also want such a country where they could get cheap labor, effective and efficient employee or team to perform their task at a standard level. They also are looking for using the time difference around the world. They want to run their business 24 hours every working days. On consideration of all these factors, they found Mr. Ashfaqur Rahman and got to know about Bangladesh and its prospects. Thus the Data Path Ltd. Starts its life in Bangladesh.

Data Path Ltd. is basically a **Business Process Outsourcing (BPO)** partner of Texas-based retirement plan service provider named ***July Business Services***. Data path provides all the required support to July business services to run their business effectively all the 24 hours. Data Path Ltd. provides these services through internet and remote desktop facility.

A retirement design is an adjustment to accommodate humans with an income, or pension, at some point of or when humans are no longer collecting a constant earnings from employment. Retirement plans can also do installed via employers, insurance plan companies, every government or other institutions such as employer companies or trade unions. Retirement plans are extra commonly recognized as pension structures in the UK and Ireland and superannuation plans in Australia.

Some kinds of retirement plans, such as money stability plans, mix traits of both stabilized advantage and described contribution plans. They are frequently viewed as hybrid plans.

It helps companies to accomplish their business functions by way of operational perfection and a real market place. In order for companies to focal point on their core competencies, all agencies nowadays outsource one or more of their operations. In order to compete in the world economy, organizations want to center of attention their assets on their core operations.

There are various causes that companies outsource several jobs, but the common noticeable advantage appears to be the point that it often saves money. Several of the organizations that provide outsourcing services are competent to perform the job for considerably insufficient money, as others don't have to provide benefits to their workers and have several above amounts to defect regarding.

Both terrible and advantageous penalties of outsourcing can be identified. Positive penalties of outsourcing can contain attention on core business operations, world-class science at lower prices, experienced manpower at cheap prices. Negative consequences of outsourcing can be reduced quality, make bigger in time-to-market, lower client service, sunk costs, loss of control, unpredictable providers and negative long-term penalties at business. While outsourcing may establish highly beneficial for several companies, it also has many disadvantages. It is great that particular individual company carefully assess their requirements to decide if outsourcing is a viable opportunity.

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Chapter-1

Introduction

1 Introduction

To develop the environmental, financial and mental welfare of employees and their households, agencies routinely provide advantages such as fitness and life insurance, vacation time, disability profits and retirement plans. Certain advantages are designed to guard personnel from suffering serious economic problem due to unforeseeable catastrophic events, while others serve to grant balance and productivity in the workforce by enhancing worker confidence and facilitating aggressive recruitment systems. Because employees have come to count on benefits in addition to their salaries, worker gain plans often are provided rather of extra cash payments as an essential phase of whole compensation.

In the USA, July Business Services is continuing this policy to secure the retirement life. They have strict structured rules and regulation to have a retirement policy. From the beginning of job life to end how to maintain the rules by the employers and employees, it must be followed. The USA does this by its higher educated citizens with the help of high technology software. But there are vast people who are maintaining retirement policy fund. To manage them perfectly they are doing outsourcing to do their assigned work fast and perfectly. Data-path is one of them which are working for July Business Services sitting in Bangladesh. Trust and perfection is the main power to do outsourcing.

1.1 Historical Background

Data-path Limited is an outsourcing organization working for July Business Services in Bangladesh. It is a registered employer owned by means of Jim Hudson and John Humphrey. July Business Services is one of the famed retirement layout industries in the U.S.A. Data-path Limited used to be set up in 2005 with a small office in Uttora. In the beginning, it was once providing supportive operations for July. Then this organization hired proficient personnel to work for the July Services. In the establishing years, it had less than 10 employees. Now 70 incumbents are working right here with their excellent appreciation.

July Business Services is a professional services firm committed to delivering focused retirement plan and other administrative services to business clients. We operate approximately by employers and financial associates to develop customized assistance to reach their individual purposes. Our experts give hands-on solutions for plan implementation and continuing plan service. We have many years of business experience with clients changing from small, closely-held companies to large organizations competing in the global economy. It has begun its operations in 1995, with no clients and a tiny professional office area. The firm's marketing purposes resulted in significant referral relationships, including financing advisors, mutual fund corporations, banks, and brokerage firms. Near the period of 1996, July produced higher than 250 retirement plan patients and 5 representatives.

July Business Services partners with financial advisors and companies to provide retirement plan recordkeeping and organization with combined cafeteria plans and payroll. Established in 1994, July delivers extraordinary service with strong efficiency to about 3,000 patients in all 50 states.

1.1.1 Origin of the Study

It's so a total lot indispensable for the student to hyperlink tutorial knowledge with sensible experience. Internship application provides students the hazard to study from the proper business organization platform. The file "**Comparative Study on Retirement Plan between Bangladesh and the United States of America (USA)"** is to fulfill my requirement for the internship program.

While as a student of BBA application I obtained this opportunity to include myself into the professional vicinity of US retirement enterprise Data path. Data path gave me that danger to comprise in the expert discipline and the chance to whole my internship program. During the length I have discovered crucial issues involving US retirement design industry, the insurance policies & regulations that guide it and the technique of getting geared up year-end retirement sketch reports.

My supervisor Nusrat Farzana has authorized me to put collectively an internship file on Comparative Study on Retirement Plan between the United States and Bangladesh. He authorized me and gave me a guiding principle all via the semester what is the incredible method of getting ready an internship report to have a smart notion about a current company's activity.

1.1.2 Purpose of the Study

The retirement advantage machine in Bangladesh is no longer so prepared every in the public quarter and additionally in the private sector. The authority's guidelines and suggestions are no longer well equipped to guard the worker benefit. Their personnel are no longer aware of their retirement benefit.

The regulatory body to protect the worker gain is no longer taking the critical steps to defend the employee proper and benefit.Developing global areas In view of the measurement of the population, scarcity of resources, present poverty, inadequate health facilities and absence of social security, a retired quarter is going to be a most important hassle in Bangladesh. The Elderly are out of the demographic result. Bangladesh benefits gadget desires to be extra geared up every in the public and personal sector. It's very necessary to work on that because the worker doesn't comprehend about their right. The hints concerning the corporation contribution are no longer up to date with the time. The nature of retirement gain is no longer typically described or decided in the personal quarter whether or not the benefit will be the described advantage or the guard contribution. No unique design for describing Old protection to their employee.

1.1.3 Objective of the Study

1.1.3.1 In a large sense, the objective of this file is to supply an idea about the Retirement Plan Industry of the United States of America and the rules and policies that guide this industry.

1.1.3.2 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 benefits sector in Bangladesh.
- The problems involved in training new employees.
- Ways to overcome those problems.

1.2 Background of the Report

It is very necessary to apply the knowledge practically that a student has gathered theoretically. An internship is a way to give a good application of theoretical knowledge. So, an internship program continues the requirement for obtaining a BBA degree. Internship, into that modern business world, supports students to confirm experiences including support of their directed activity and that additionally facilitates them to show prime of career and satisfactory trained, individual and interpersonal performance. I am acting in Data-path Limited since 21st January 2019. I have learned critical problems concerning US retirement plan services, the laws & regulations that the company follows to do plan and the disputes within the USA and Bangladesh.

1.3 Problem Statement

The awareness of the 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. While it is valuable for maintaining individual retirement plan reaching people to carry Third Party Administrators (TPA) to adjust year-end statements.

In Bangladesh, some retirement compensation association is not so structured both in the government quarter and in a similar way in the non-public area. The administration legal guidelines and policies are not definitely designed to make sure employee compensation. The governing body is not getting the quintessential moves to keep employee rights and advantages.

No step is taken to limit the differentiation between the fantastically recompensed employee and non-highly recompensed employee.

1.4 Scope of the Report

Scope indicates some area on which the knowledge has to be done. This report covers the areas concerned with the process and management of doing retirement plan by Data-path. I highlight that Allocation division of a retirement plan concerning my study. Somebody who is operating there, their experience, memorandum, gone plan reports everything helps me to make the study report. This report is also highlighted the present US regulations on retirement plans, the amendment in the regulations will make the associated portions obsolete.

1.5 Methodology of the Study

A methodology is to mean by the utilization of the multiple methods for this research. My comprehensive purpose is to report on "USA Retirement Provident Fund (RPF): A Study on Data-Path Limited". And the particular intention of the report is "A Comparative Study on retirement policy between the USA and Bangladesh" To this purpose, I have collected information as required. Here it can be briefly explained the information that how these are managed.

1.5.1 Sources

I have collected the information during this report of both primary and secondary origins.

1.5.1.1 Primary Sources

Collecting data directly from the practice field is called the primary source of data. The method that will be used to collect the primary data is as follows:

Discussion Method

In the workplace, we, all the members, faced several issues when we do the allocation for the plans. The discussion helps us to solve those problems and it is one of the ways to know about retirement policy. I have observed all of the activities of all the departments, especially the Allocation department where I have been assigned for work of Data-Path Ltd.

Other Primary sources

We may get correction after sending allocation in review through our trusted network and we also get instructions from USA consultants. These review notes are the real idea to understand what really they want and the methods also.

1.5.1.2 Secondary Sources

Secondary data is very extremely necessary to manage an efficient study and to have a qualified result. The major sources of secondary data that used in the report are given below:

ERISA online CD

Employee Retirement Income Security Act (ERISA) is an American governmental ordinance that builds the merest standard for premium plans in a single industry and provisions for unrestricted rules for the employee compensation plans. During the training session, I have determined a much concerning USA provident fund through ERISA online CDs of retirement provident fund and managed data too.

John Hancock Online lectures

It is a lecture series. RPF, ERISA Rules everything is taught here with the help of the audio based website.

Data-Path and July Services databases

The saved data of Data-path and July Services databases helped me to gain training. I have also done analysis, tried to get similarities, difficulties to make a retirement plan.

Retirement Provident Fund (RPF 1& 2)

Retirement Provident Fund part 1 & 2 content all the term compared to US provident fund. It is the base of US retirement fund. We use these as a knowledge bank.

Various articles on Retirement Policy

I have collected various articles, journals on retirement policy of Bangladesh. From certain, I have got some situation.

The study needs a systematic method from the choice of the topic to make the final report. To complete the study, data sources are to be classified and managed. They are to be organized, analyzed, interpreted and performed in a systematic practice and key features are to be rained out.

1.6 Limitations of the Study

1. Due to the separation control, some necessary knowledge is not shown here. Like, the Social Security Number (SSN) of the participant, how much is their compensation, how much they suspend, to accommodate employer contribution or profit sharing which formula the client or employer follows. It is rigorously prevented to bring any official records or clients' data outside of the service period.

2. Most of the materials are amassed from the secondary sources and the validity of the data is questionable in some circumstances. Not all phrases are the as identical as we have discovered. It varies design to plan. Sometimes same rules define extraordinary meanings.

3 Due to the lack of communication bearing on to a Retirement gain layout the know-how which is gathered is not delegated. Retirement Provident Fund (RPF) has only 2 components – 1 & 2. Other than RPF do not provide any statistics

4 Employees' compensation limit, HCE limit, includible officer's compensation limit, defer limit varies year to year. So it is difficult to compare.

1.7 Topic Analysis and Discussion

Every country maintains its retirement benefits policy by its rules and regulations.In accordance with Data-Path, I highlight USA retirement policy and find some differences with Bangladesh.

1.8 Organization Overview

1.8.1 Founding Partners:

Jim Hudson began his retirement plan specialization in the old Eighties whilst persevering his job as a Certified Public Auditor. While this season, Jim converted diagnosed as a professional in that extremely specialized area. Two He was once immediately responsible for creating and managing a large retirement layout practice earlier than founding July in 1994.

John Humphrey consisting of established his career as a Certified Public Accountant, contributing tax consulting help including a big accounting association earlier than collecting underneath retirement design administration. Two John co-founded July for the duration of 1994.

1.8.2 Building Our Team

From 1996 through 2000, July experienced an increased growth rate and added a number of key employees and partnerships. When the season, corporation administration succeeded in ensuring important goals:

- Developed Foundation for Employee Culture
- Developed Performance of Service Delivery
- Performed New Business Team
- Designed Client Advising Teams
- Designed ERISA Consulting Team
- Created Dedicated Distribution Team
- Promoted Blake Willis to Partner & CAO
- Added and Developed Key Employees
- Improved Marketing & Sales Presence

1.8.3 Building Strategic Partnerships

Associations continued developed with some important financial. Those connections extend to help July clients by offering them with diversified investment options and mechanical plan recordkeeping services. By the end of 2000, July served more than 600 retirement plan clients and had approximately 15 employees.

1.8.4 Plan design:

Retirement plans are presented to satisfy the individual functions of the man or woman employer. Whether the goal is employee recruitment and retention or maximizing benefits for key employees, we have the information to plan the fantastic format for you.

1.8.5 Plan setup:

To successfully set up a retirement format or to convert the current format from the cutting-edge provider. Data-path's committed setup group presents hands-on offerings to coordinate all aspects of the graph set up. Our offerings include:

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

1.8.6 Plan administration:

July's consultants have over 25 years of plan management practice also do specialists in this highly technical field. A dedicated account representative will serve clients' plan, established by partners regarding experienced professionals.

Data-path's consultants have over 5 years of design administration practice and are professionals in this rather technical field. A dedicated account representative serves a client's plan, mounted via partners involving skilled professionals.

1.8.6.1 Plan Operation Support:

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

1.8.6.2 Compliance Testing:

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

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

1.8.6.3 Tax Compliance:

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

1.8.7 Plan Recordkeeping:

- 24 Hour Internet Access
- Daily Valuation of Accounts
- Plan Sponsor Account Access
- Quarterly Participant Statements

1.8.8 Payroll Services:

A single provider for retirement and payroll services reduces clients' workload and increases accuracy and efficiency. July service guarantees are some of the strongest in the industry, but our goal is to process your payroll error free every time.

1.8.9 Fringe Benefit:

July services give this following advantage.

- Medical reimbursement plans
- Adjustable spending accounts and Section 125 Fringe Benefit Plans
- Health Reimbursement Arrangements (HRAs)
- VEBA and other specialized funding designs
- Premium-only plans
- Other forms of reimbursement or claims processing programs

1.9 Enrollment Materials:

July gives expert group corporeality's to lead members in making the response and investment decisions. These materials generally include the following:

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

1.9.1 Investment Advice:

Many of the retirement merchandise also include participant access to on line investment advice and guidance. The capability for participants to receive on line funding advice increases their chances of attaining a impenetrable monetary future, and as a result, can assist to minimize layout champion fiduciary responsibility. As further knowledge about which products provide investment advice, please communicate our businesses experts or see information on featured products above.

Data-path serves all the administrative work for July Business Services through July's software and submitted the softcopy of all of its work through its own trusted network.

1.10 Organizational Structure

Source: Data-Path Ltd.

Chapter-2

US Retirement Policy

2 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

2.1.1 Defined Contribution Plans

A described contribution layout is every so often regarded as a character account sketch because a separate account is kept for each and every individual participant. These types of plans outline the contribution price to be inserted into the participant's record.

2.1.2 Defined Benefit Plans

A set advantage diagram ensures to pay a specified benefit at the future retirement age. Preferably than identifying the contribution to be precise into a participant's non-public account, these plans characterize the quantity of retirement compensation to be paid. The important level of advantage is determined the usage of a formulation cited in the diagram document. The benefit is usually payable at a certain future time, such as fulfillment of age 65 some plans including offering advantages superimposed the incapacity or loss of life of the participant earlier than retirement.

2.1.3 Types of Defined Contribution Plans

2.1.3.1 Profit Sharing Plans

Through a profit-sharing plan, personnel can be rewarded with a share in the employer's revenue, which was once generated in phase due to their efforts. The agency can also make use of discretion over the quantity furnished to the graph every 12 months and need now not base the contribution on actual profits. Accordingly, the layout does not have to nation explicitly what amount will be contributed each year, but it need to include a precise method for allocating any contribution made to participants.

2.1.3.2 401(K) Plans

Some types of contributions in 401 (k) plans are:

1 **Elective Deferrals**

The CODA or 401(k) feature of a profit sharing plan permits employees to elect to defer part about their compensation within the 401(k) plan on a pre-tax source alternatively of getting these quantities as taxable income. These contributions are alternately known as employee elective salary deferrals, elective contributions, employee salary deferrals, elective deferrals, or simply salary deferrals. In general, we will refer to these contributions throughout this course as elective deferrals.

Since they are contributed on this plan on a pre-tax data, those elective deferrals reduce the current taxable income of the employee for federal, and in most cases, state income tax purposes. Notably, an elective deferral does not reduce compensation for Social Security taxes (FICA) or Federal Unemployment Taxes (FUTA).

For example, if an individual worked for two different employers throughout the record year and contributed into each employer's 401(k) plan, the limit would apply to the individual's combined elective deferrals within both employers' plans for that calendar year. As such, the limit is not particular to the plan but rather is specific to the individual. The highest elective deferral value remains sometimes described the 402(g) dollar limit or just the 402(g) limit.

For 2018, $16,500 is the highest elective deferral amount that a person can contribute into all 401(k) plans under which the person is eligible to participate during the 2018 calendar year. Future limits will increase as prescribed by inflation (indexed) in $500 increments.

2 Catch-Up Contributions

Catch-up contributions are supplementary elective deferrals that can only be performed by several older plan participants. In sequence to make a catch-up contribution for a calendar year, a participant requirement is at limited age 50 by the last day of that calendar year. Catch-up contributions have been allowed in the perception of changing social times and the growing importance of the employer-sponsored retirement plan leg of the three-legged seat.

Catch-up contributions remain elective deferrals that exceed an appropriate deferral limit. Therefore, an elective deferral is distributed as a catch-up contribution if the participant that is catch-up available has transferred a limit in the law or in the plan.

Having been limited in this manner and prevented from deferring as much as a participant might wish to defer into the 401(k) plan, if the plan so allows, an eligible participant could catch-up to where the participant wished to be financially by making an additional, allowable contribution up to the catch-up contribution limit.

Example; IRC §402(g) Limit. Jason, age 51, defers the $16,500 maximum elective deferral for 2018 into his employer's plan. Having earned $45,000 for the year, he chooses to contribute another $5,500 into the plan as the maximum allowable catch-up contribution. In total, $22,000 will be attributed to his personal account below the 401(k) plan for the year.

Example; Susan, age 52, earned $50,000. The plan has a 10% limit on the percent of compensation that can be deferred.

3 Designated Roth Contributions

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 estimated elective deferrals but that they are performed toward an after-tax basis to a 401(k) or 403(b) plan.

The earnings generated by the designated Roth contributions are tax-free when distributed if the distribution is obtained after that participant is age 59½, and five years after the original designated Roth contribution continued contributed to this 401(k) plan.

A participant in a plan that allows selected Roth contributions will become the opportunity to designate whether elective deferrals are designated Roth contributions, pre-tax elective deferrals, or a combination (e.g. a portion of the elective deferral is after-tax and a portion is pre-tax.).

An additional account will be set up in the 401(k) plan to track the designated Roth contributions separately from the pre-tax elective deferrals and from any after-tax employee contributions that are not designated Roth contributions.

4 Matching Contributions

In conjunction with elective deferrals and to encourage participants to defer at higher levels into the 401(k) plan, the employer may want to offer matching contributions that match all or part of the employee's pre-tax elective deferrals and designated Roth contributions.

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 on this 401(k) plan is 3% of the compensation of eligible participants.

Example; 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 x 50% or $25,000 x 6% x 50%).

5 Non Elective Contributions

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

Employer non elective contributions remain subject on nondiscrimination testing rules under this Internal Revenue Code to demonstrate that they do not provide disproportionately greater benefits on the extremely compensated employees, a group which typically includes owners and highly paid employees from the employer.

Elective deferrals, designated Roth contributions, employer matching contributions, and after-tax employee contributions upon this plan, if approved, must also comply with special nondiscrimination rules.

2.1.3.3 Stock Plans

Stock Bonus Plans

A stock bonus plan remains a profit sharing plan that regularly distributes shares from company stock while profits 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 to this form of cash or company stock. When cash contributions do give to this 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 each open market, participants receiving distributions have the right to trade their shares back to the company for cash at specified times as determined by the company.

Employee Stock Ownership Plans (ESOPs)

An employee stock ownership plan (ESOP) may include any a stock bonus plan, including a discretional 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. Any portion of a plan, such as an employer stock investment in the 401(k) feature from a profit sharing plan, also may be designated as an ESOP. To change 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 higher than 50% investment).

An essential distinction between a traditional stock bonuses plans also a stock bonus plan which becomes remained established as an ESOP lies in the ESOP's capacity to obtain money to purchase partnership stock. The purchased shares represent the collateral on the ESOP loan. Thereafter, the employer's cash contributions to the ESOP are used as loan repayments, and as these payments are made those shares released from their status as loan insurance are allocated to each individual accounts of this ESOP participants.

Safe Harbor 401(k) Plan

A safe harbor 401(k) is comparable over a traditional 401(k) plan, though the employer is committed to making contributions for every employee. The employer contributions in this type of plans move immediately 100% vested. It reduces administrative responsibilities on employers by elimination any of the complex tax rules generally applied to a traditional 401(k) plan. Generally, that plan provisions a contribution into three steps:

- Basic Match
- Enhanced Match
- SH 3% Non-Elective

2.1.4 Basics of Plan Design

Given the legal, financial, accounting, internal resource management and tax implications surrounding the institution of a modified retirement program, an employer is well-advised to seek the counsel of its accountant, attorney and retirement plan professional for assistance in determining the type of qualified plan most appropriate to best serve the investments of the company also its employees. In addition, the input of any human resource staff should be duly considered.

The valued input of accountants and attorneys being readily understood, the employer will gain retirement plan expertise by engaging a retirement plan professional whose initial role is to help the employer focus on particular several beneficial plan design for its individual situation. Through explanations of the different types of plans via extensive data-gathering about the employer, a retirement plan professional guides a plan sponsor through these multiple factors influencing the selection of a qualified plan. Some of the more important of these would be:

- Employee demographics such as age, years of service, salary levels, and size of the employee population
- Employees' retirement needs and their familiarity or comfort level with savings and investment practices;
- Consistency in the level of the employer's profits;
- Prospects as continued earnings to fund the retirement plan;
- Tax deductibility of offerings;
- Employer's need to be able to compete for qualified employees;
- Plan features designed to benefit specific employees as retention incentives;
- Plan features available to encourage participation following this plan, such as the capacity to acquire an individual account; and
- Rest of performance also impact on an employer's human resources and payroll staff.

Balancing these also another employee including employer-based considerations, therefore, results in efficient and successful plan design. The next section discusses the tax deduction limits of the various types of plans which can play a role in determining the appropriate retirement plan for the employer.

2.1.5 Contributions and Deductions

2.1.5.1 Contributions

The contributions and allocations section of a distinct enrichment format document will explain how these measure of required or changeable contribution stays defined. For example, whilst money buy plans incorporate a required contribution formula, sponsors of profit sharing plans revel in discretion in that quantity of income sharing contributions delivered every time, if any. Notably, sponsors of profit sharing plans may additionally make a contribution amounts that exceed contemporary or accrued profits, and therefore the design file ought to be cautiously checked to understand how a sponsor will decide its income sharing contribution. A business enterprise matching complement formulation for 401(k) plans additionally will be unique in each layout certificate.

2.1.5.2 Deductibility of Employer Contributions

Employers generally anticipate and wish their graph contributions to be deductible below that Internal Revenue Code, and there are many rules that affect the deductibility of organization contributions made to each retirement plan. Consequently, it is common exercise for any retirement design administration firm to supply contribution records to a plan sponsor so that the sponsor's tax advisors may also confirm deductible values also contribution deadlines.

This records related to contributions may additionally include:

- Some particle wished contribution amount;
- The advocated contribution amount;
- The maximum contribution amount; and
- Any closing dates as investing graph contributions.

2.1.6 Plan Documentation

The first crucial steps in a specific method of plan administration begin with designing the right plan to meet the plan sponsor's goals, creating the written plan documents, and setting the plan in motion or installing the plan. This process is critical to building and sustaining a qualified retirement plan for the benefit of the employer's participating employees as well because of the employer itself. Time spent here avoiding potential missteps will continue well-spent. Once formalized on paper, what constitutes the plan document will not just satisfy one of the four fundamental requirements for qualification—that the plan is in written form—but it will also serve as the cornerstone reference for future plan operation and administration.

Selection regarding a New Plan Document. This current day of the first plan year is the signing deadline for a qualified plan document for all non-401(k) plans. For example, each profit sharing plan established for the 2018 calendar year must be executed none close than December 31, 2018.

401(k) plans continue subject to an accelerated deadline and must be adopted prior to the withholding of the first elective deferrals from employees' paychecks. Thus, if elective deferrals were, to begin with, the payroll period ending March 15, 2018, the employer must sign the plan document before that payroll date.

2.1.7 Basic Plan Document Language

2.1.7.1 Compensation

The definition of compensation is generally referenced in the gain which includes participation or allocation sections from a design document. Compensation for advantage and contribution functions often includes that whole pleasure of a participant. However, format sponsors are allowed to include or cut out sure aspects of compensation, such as non-obligatory deferrals, and transferring costs so excessive considering that result is a description of fee that does not disproportionately like higher-paid employees.

2.1.7.2 Eligible Employees

Identifying those employees who are allowed to participate or are included following this plan and those who are eliminated of coverage begins with the definition of employees and eligible employees. For example, the definition of employee often provides that all employees remain qualified to participate in the plan except non-resident foreigners with none U.S

2.1.7.3 Fiscal and Plan Year

The plan sponsor's fiscal year will be referenced in some definitions part of that plan document, as will the plan year. These periods may not ever match. For example, employers might use this calendar year since a fiscal year for administrative ease, given that they must issue W-2s and similar tax and accounting filings. As of ease of administration of the plan, they might use the calendar year as the plan year allowing them to provide data to the plan for the same period of time as for the corporate filings.

2.1.7.4 Normal Retirement Date and Age

Some drafters of diagram documents separate the definitions of everyday retirement date and regular retirement age, whilst others combine the two into one definition. The definition of typical retirement years commonly is a unique age, before-mentioned as age 65, or a targeted age and duration of service, before-mentioned as age sixty five and the 5 anniversary from the time the participant first entered that plan.

2.1.7.5 Hours of Service

The hours of each provider definition is a fairly general definition in all certified plans as it must replicate the Internal Revenue Code and DOL requirements. Employees commonly earn or accrue hours of provider for an hour paid, which may additionally consist of time for vacation, holidays, jury duty, sickness or army leave. Also, the application of the provision suggests the variety of hours wished throughout every format year, if any, to satisfy eligibility, vesting, and contribution allocation requirements.

2.1.7.6 Year of Service

There remain a number of routinely employed definitions of the yr. of service. The most common is defined as a consecutive 12-month season all through which that employee need to work or is entitled to payment for at least 1,000 hours of service. To simplify vesting calculations and the allocation of contributions the 12-month length will generally be the same as the format year, as this assures that all participants' carrier will be contained over these equal twelve months.

2.1.7.7 Leave of Absence

The plan document should be reviewed for definitions regarding a disagreement under service since it affects eligibility and vesting year computations. The definition of a one-year difference in service is based on Internal Revenue Code requirements and usually is a 12-month period corresponding to the plan year in which each participant does not exhaustive more than 500 hours of assistance. If the plan measures service using elapsed time, then a one-year time of separation is a 12-month season in which an employee does not work.

2.1.7.8 Highly Compensated and Key Employees

1 Ownership Test

An operator satisfies this ownership evaluation if that employee is a 5% owner. A 5% partner is defined as a worker which controls, immediately or indirectly, higher than 5 percent of the enterprise regardless of compensation.

Ownership status on any single day in either single regular design year or the 12- month time straight away preceding any frequent sketch yr.

2 Compensation Test

An employee satisfies the benefits test if the worker earns greater than $100,000 (as listed for 2017) in the look-back year. The compensation used is the employee's complete compensation inclusive of several elective deferrals, so being these to 401 (k) plans and cafeteria plans, as nicely as certified transport margin benefits. Refer to Appendix A for a précis of the variety of sketch limits, inclusive of limits applicable to the compensation test.

3 Top-Paid Group Election

The individual employer may select to add a requirement that, in addition to performing this compensation test, the employee be in the top 20% of employees while assigned by compensation to be recognized an HCE. This election, known as the top-paid group election, must be in the plan document, or the plan document necessity is amended to add the election should the employer wish to use it. Use of the top-paid group election does not change the 5% owner analysis.

During purposes of defining some number of employees to include in that top 20 percent, the resulting employees may be excluded from the calculation:

- Those who have not completed six months of service by the expiration of the year;
- Those who normally work fewer than six months per year;
- Those who normally work less than 17% hours per week; and
- Those younger than age 21.

2.1.7.9 Non-Highly Compensated Employee

Each employee, that is no longer an HCE, is a Non-highly compensated employee (NHCE).

Key Employee

Some design record is also required to contain sections that provide an explanation for these top-heavy necessities for certified plans. Top-heavy plans are these plans that are deemed to advantage mainly a crew of contributors known as key employees, and as a consequence, these plans ought to meet exceptional standards regarding vesting and minimal contributions or income accruals.

For functions of top-heavy testing, a key employee is each employee or retired employee which through the measuring period, is a 5% owner, a 1 % owner about an includible administrator.

a) 5% Owner

As we defined in Chapter 2, a 5% owner is described as any employee that owns, immediately or obliquely, higher than 5 percent of the enterprise regardless of compensation.

b) 1% Owner

A 1% proprietor is any worker who owns, at once or indirectly, more than 1 percentage of the business which includes whose annual compensation surpasses $150,000. Note that this compensation cut-off date is not classified.

c) Includible Officer

Generally, an officer whose annual compensation is $145,000 or extra for 2017 (as indexed) is considered a crucial employee. However, beneath this classification, the very best number about officers to designate as key employees is 50, or, if less, this increase of 10 percentage of the personnel or three. Thus, no longer all officers are includible officers for determining key worker status. Notice to Appendix A for a prices of the quite a number layout limits, including limits applicable to the includible officer test.

d) Compensation

Some rationalization of compensation used for the key employee willpower is the same as the definition of compensation used for the HCE determination: the employee's total compensation inclusive of any optional deferrals, such as those to 401 (k) plans and cafeteria plans, as properly as ample transportation margin gains.

Also, word that a 5% proprietor would acquire each an HCE and some vital employee. However, the differences in compensation limits for the inclusion of 1 percentage possession and officer status within that description of key personnel will usually serve to create greater HCEs than key employees.

2.1.7.10 Eligibility and Participation

The definitions section of the diagram document will commonly contain a reference as to how a participant fulfills the plan's eligibility requirements. The eligibility and participation part will typically slender the interpretation of eligible or taking part employees by listing groups of employees who will be excluded from sketch coverage, such as:

- Those personnel who have not worked a positive minimal wide variety of hours or months; or
- Have now not finished a sure age; or
- Who are individuals of a specific group, such as union employees?

This area differs considerably of the sketch to graph due to the fact each diagram sponsor will select permissible eligibility and participation necessities that nice swimsuit its goals and consider the development of its workforce.

Eligibility Date

The Internal Revenue Code approves an enterprise to count on a worker to reach age 21 and whole a yr. of carrier previously than the employee turns into licensed to take phase following a plan. For plans that furnish full and on the spot vesting (immediate one hundred percentage possession of blessings upon entrance inside the plan), a business enterprise may also additionally situation participation on the completion of greater than one 12 months of service. During such events, the most service duration that can be required is two years. There is an vital exception to this rule for the 401 (k) facets from income sharing plans, beneath which the most eligibility duration for optionally reachable deferrals may also moreover nevermore exceed one year, regardless of vesting provisions.

Entry Date

This operative date of an employee's participation in the diagram entry date, or definitely the entry date. There stays a distinction between the dates a worker enhances eligible to participate in that diagram by means of completing all requirements for eligibility and the date that the employee simply turns into a participant below the plan.

Eligibility and participation is a one of a kind thing, and the difference is a very important one. Deductibility of contributions, required contributions, minimum advantages or contributions, coverage, and nondiscrimination tasks all immediately relate to these definitions. It is noted in every format file when a worker becomes qualified to participate in the plan, and when that worker truly starts to take part or enters the plan.

2.1.8 Vesting

[A] Vesting Rules

The vested division of every participant's account is the element retained by way of the participant and is the amount that will be paid to him or her against a distributable performance, such as retirement or any other prevalence when the Internal Revenue Code or ERISA would permit the diagram to distribute benefits. Employees typically achieve full control of their debts in dietary supplements based totally on the wide variety of years of service performed among the employer. In this manner, continued carrier with the design sponsor is rewarded by using steadily growing ownership of the retirement benefits supplied by means of that sketch sponsor.

[B] How to Apply a Vesting Schedule

A participant's vested element is estimated by multiplying the participant's account balance for defined contribution plans, or achieve quantity (accrued benefit) for described advantage plans, by the vesting share that corresponds to the participant's credited years of service.

[C] Types of Contributions

The more than a few kinds of contributions beneath a certified diagram are problem to specific vesting requirements below those Internal Revenue Code and ERISA, and consequently a layout file may additionally comprise greater than one vesting time table.

[D] Full Vesting

The Internal Revenue Code and ERISA also require that full vesting, that is, one hundred percent vesting, be granted at the attainment of the plan's age. In retirement, members that may also oppositely no longer have that quintessential range of years of co-operation under the plan's vesting time table command nonetheless come to be Also, qualified plans often, but no longer always, grant full vesting upon the demise or disability from a participant, a provision that will be set forth in that sketch certificate.

2.1.9 Testing

The plan must pass some tests in sequence to get the tax advantage. One of the important tests is Overloaded Test. Plans must also pass minimum coverage testing. IRC §410(b) governs the minimum coverage provisions of qualified plans. Plans must set their eligibility and participation criteria such that they allow a nondiscriminatory cross-section of HCEs and

NHCEs to receive benefits from the plans. Qualified plans cannot skew the method by which they determine eligibility for benefits so that HCEs benefit following the plans in disproportionately greater numbers when compared to the numbers of NHCEs who benefit. Any such result would jeopardize the plan's qualified status. In fact, if the minimum coverage was not satisfied, it would not matter how large a benefit is provided to those covered; the plan would face disqualification under the IRC. Under the Internal Revenue Code, qualified plans may not separate in support of the highly compensated in the level or amount of benefits provided to plan participants. Each year, to demonstrate compliance with these statutes, a qualified 401 (k) plan must show that HCEs are not contributing either pre-tax or after-tax more than an allowable percentage of their compensation to this plan, and similarly are not receiving more than an allowable percentage as a matching contribution. The Internal Revenue Code's requirements may be satisfied through the yearly performance of the special tests for 401(k) plans or by designing the plan.

[A] Top-Heavy Test

After the key employees should be recognized, the task at hand becomes the determination of the plan's top-heavy status. Each plan document includes the top-heavy controls and how they are to be applied to the plan.

Every plan continues top-heavy if the account balances (in a limited contribution plan) of essential employees exceed 60% of the cumulative account balances or the present value of accumulated profits of all participants.

Generally, all plans of the plan sponsor must be aggregated, or combined, and tested together for goals of discovering top-heavy station, including terminated plans. Safe-harbor 401(k) plans designed to be exempt from nondiscrimination testing by contributing the smallest employer contribution in the form of a qualified non elective contribution or a matching contribution, along with compliance with certain vesting, employee notification and restrictions on withdrawal standards. Certain safe-harbor plans are granted non-top-heavy status regardless of their amount of benefits for key employees.

Performing the Top-Heavy Calculation

Most administration firms have software or spreadsheets for top-heavy calculations. The procedure begins with the account balances or the present value of benefits as of the determination date and progresses by adding in distributed amounts or contributions that need be included and subtracting quantities, such as certain rollover contributions, that are needed to be excluded. A review of that software or spreadsheet illustrates the following rules:

- For the first plan year, the determination date is the last day of that year, and the calculation determines whether the plan is overweight for that first plan year as well as the next plan year. The first year calculation includes any receivable contributions.
- Except during the first plan year, contributions to profit sharing plans that have not been deposited into the plan by the termination of the plan year (a receivable

contribution) may be reduced from the calculation, as the cash accounting method generally is used.

- Contributions for money purchase are always included, whether or not they are received as of the end of the plan year, as they practice the accrual accounting arrangement.
- All distributions that transpired throughout the plan year finishing on the resolution date for participants who completed at shortest one hour of assistance in that plan year are involved in the calculation, including distributions from a terminated plan of the same employer.
- Distributions during the year to participants which terminated employment in earlier years are excluded in the calculation.
- Any in-service distributions (distributions created for a purpose other than death, disability or severance of employment) for the plan year finishing on the measurement date and the prior four years are included in the calculation. Thus, in-service distributions over a five-year time are included.
- Unrelated rollover contributions continue not covered in the calculation. An unrelated rollover is a rollover contribution or change that is selected by the participant and performed between plans that are maintained by unrelated employers with no ownership connection. Each rollover contribution from an individual IRA is also considered an unrelated rollover.
- Catch-up contributions are disregarded for top-heavy purposes only for the plan age during which they are made. After that year, they are involved in the calculation. Thus, when computing the top-heavy ratio for a plan year, since the account balances are determined as of the end of the preceding year, the catch-up contributions that held made in the prior plan year are carried in those account balances.

The bulky calculation is usually made at the time a retirement plan administrator is completing the year-end reports for a plan. The timing permits the employer to prepare for the following year, particularly when the top-heavy ratio is at or near 60 percent.

Smallest Benefits or Contributions to Non-Key Employees

Plans that are top-heavy must implement the smallest benefits or contributions to all non-key employees who are participants. In a distinguished contribution plan, all non-key participants who are employed at the termination of the plan year obligation receive the top-heavy minimum contribution. This is true even when the participant has not achieved the minimum hours required to share in the annual allocation.

The top-heavy minimum contribution in a defined contribution plan is the subordinate of:

1. Three percent of compensation for the entire plan year; or
2. The contribution percentage of the important employee which collects the greatest contribution as a percent of compensation.

It should be noted that concerning plans of top-heavy minimum calculations, compensation includes all compensation earned throughout the plan year even if the plan otherwise determines compensation as compensation, especially while a participant.

In concluding whether a key employee has earned a contribution, elective deferrals made by the key employee count as a contribution. During that case of a profit sharing plan for which the plan sponsor declares no contribution for the year then no contribution is expected to be made for the non-key employee.

[b] Minimum Coverage Test

Under the coverage rules, a plan or separately tested plan component satisfy qualification requirements if it satisfies either one of two possible tests.

1. Ratio Percentage Test

Following the ratio percentage test, the percentage of NHCEs who benefit below the plan necessity be at limited 70 percent of the percentage of HCEs who benefit under the plan.

Several employees may be disbarred (excludable employees) for coverage testing. They are:

- Active employees who do not satisfy the plan's minimum life and service qualifications for entry into the plan;
- Union employees if not more than 50 percent are owners, administrators or executives of employers covered under the plan if not more than 2 percent are highly compensated persons who perform professional

- Terminated employees who satisfied the qualification requirements (terminated participants) but worked 500 or fewer hours in each plan year.In determining the NHCE and HCE benefiting percentages, the following employees need to be included (no excludable employees):
- Employees actively at work on the latest day of the plan year who met the eligibility requirements (active employees);
- Terminated employees who benefited during the year; and
- Terminated employees who satisfied the eligibility requirements (terminated participants) and worked higher than 500 hours in the plan year (whether or not they benefited).

After the employees and participants who constitute the coverage testing groups are identified, they are divided into HCEs and NHCEs. The numbers of benefiting HCEs and benefiting NHCEs are determined, and the ratio percentage calculated using the following fractions:

Number of no excludable NHCEs benefiting 1 Total no excludable NHCEs

Number of no excludable HCEs benefiting 1 Total no excludable HCEs

If that percentage of NHCEs benefiting is at limited 70 percent of those percentage of HCEs profiting, each ratio percentage analysis is satisfied.

2. Average Benefit Test

If each ratio percentage test is failed this average gain test exists as an alternative. That average benefit analysis contains two parts, both of which must be satisfied:

1. The nondiscriminatory group test; and

2. The common benefit percentage test.

In broad terms, a plan passes the nondiscriminatory group test if the distribution regarding employees who benefit under the plan is both: 1) reasonable, that is the analysis is based on objective business models such as location, and 2) nondiscriminatory.

Nondiscrimination here is established in much the identical process as the ratio percentage test. It is, in fact, the same test, except the 70 percent required threshold is lower. The amount by which the 70 percent requirement is lowered is based on the percentage of employees of the employer that are NHCEs (the NHCE concentration percentage). Essentially, the higher the concentration of NHCEs in the employee population, the lower the 70 percent threshold moves. This acknowledges the potential difficulty in having an NHCE ratio percentage set to a minimum of 70 percent of the HCE ratio percentage, as required by the ratio percentage test when NHCEs make up an exceedingly greater part of the employee population.

[c] Nondiscrimination Testing

Under the Internal-Revenue Code, qualified plans may not discriminate in service of the highly compensated in the level or amount of benefits granted to plan participants. Each year, to demonstrate compliance with these statutes, a qualified 401 (k) plan must show that HCEs are not contributing either pre-tax or after-tax more than an allowable percentage of their compensation to this plan, and similarly are not receiving more than an allowable percentage as a matching contribution. Alternately, a plan can be designed to satisfy the rules automatically with a safe-harbor 401(k) plan design.

[d] Some important testing definitions

Deferred Compensation

Among respect to any participant, deferred compensation means the part of the participant's total compensation that has been provided to the plan in accordance including the participant's deferral preference.

Elective Deferrals

The employer's contributions to such plan that are offered compatible with the participant's deferral election are elective deferrals. As such, the term of elective deferrals and deferred compensation are equivalent.

Non elective Contribution

No election by the participant is required; hence the adjective nonselective. A profit sharing allocation is an example of a nonselective contribution for the participant.

Excess Deferrals

Elective deferrals that exceed the annual individual deferral limit ($15,500 for 2017) are excess deferrals under the Internal-Revenue Code.

Excess Contributions

Failure of an ADP test results in excess contributions under the Internal-Revenue Code requiring the plan to take corrective measures.

1. Actual Deferral Percentage (ADP) Test

Test determines whether or not HCEs are contributing more than an allowable percentage of their compensation within the plan. Typically these elective deferrals do make on a pre-tax basis, but participants may make designated Roth contributions which are elective deferrals made on an after-tax basis.

The combination of pre-tax and after-tax elective deferrals is controlled to the IRC §402(g) dollar limit of $15,500 for 2017 (with an additional catch-up contribution of $5,000 for those age 50 and older anytime during the calendar year.) Therefore, the ADP test may include both pre-tax and after-tax elective deferrals.

Performing the ADP test

First,

In order to pass ADP testing, the HCE group's average (the ADP of each HCE) must not exceed the ADP of each NHCEs by more than a specified amount. The Internal-Revenue Code states that the HCEs' ADP must not exceed by;

If NHCEs Defer between	HCEs cannot Defer more than
0% to 2%	2 times
2% to 8%	2% more
8% or above	1.25 times

In this manner, HCE elective deferrals are set in proportion to what NHCEs defer. To facilitate compliance with ADP rules and minimize the potential for failed tests, the Internal-Revenue Code provides that unless the plan paper requirements otherwise, these current year's HCE deferrals are measured against the prior year's NHCE deferrals. In a calendar year plan, the level at which HCEs may defer during 2018 has been determined by the NHCEs' ADP from 2018. This is called the prior year testing method. Alternately, the plan sponsor can choose to use a current year testing method as elected within this plan document. Under this methodology, the current year HCEs' ADP is measured upon each current year NHCEs' ADP.

2. Actual Contribution Percentage (ACP) Test

Matching contributions provided to the HCEs top similar contributions for the NHCEs. The ACP test refers to any plan or division of a plan that allows employer matching or after-tax employee contributions. Remember, designated Roth contributions are Elective-Deferrals performed on an after-tax basis but are examined in the ADP test.

Qualified Matching Contributions (QMACs)

An employer can provide matching contributions that are qualified by requiring the matching contributions to satisfy rules that normally apply to elective deferrals. Qualified-Matching Contributions (QMACs) must be 100 percent vested and controlled to the same withdrawal restrictions that apply to elective-deferrals. QMACs may then be tested with elective deferrals under the ADP test instead of the ACP test. Thus, if this plan does not allow after-tax employee contributions, the need for an ACP test may be reduced. Alternately, in pursuit of the most beneficial testing results, the plan administrator may choose to include some of the QMACs in the ADP test and subject the remaining.

Calculating the ACP Test

The ACP test is conducted in a similar fashion as the ADP test using actual contribution ratios (ACR) instead of actual deferral ratios. First, each participant's ACR is calculated by separating the sum of the individual's after-tax employee and matching contributions by the individual's ACP testing.

Eligible participants who chose not to make after-tax employee contributions or received no matching contribution have ACRs of zero when deriving the overall averages. The HCEs' ACP may not pass the NHCEs' ACP by the same "1.25 times" and alternative "two times and two percent plus" limits used in that ADP test. Also, each the preceding year or popular year measurement method is designated by the plan.

If the ADP/ACP Test Fails:

The ADP and ACP tests must be satisfied if the plan is to remain qualified and eligible for favorable tax treatment. If unless of the tests fail, improving action must be practiced. There are a number of advanced testing options which may minimize or eliminate failing margins; these are discussed at length in advanced ASPPA Courses. For purposes of this course, two of these correction options are addressed: raising the NHCE averages to achieve passing results or distributing sufficient excess contributions and excess aggregate contributions to affected HCEs such that the HCE averages are lowered to acceptable levels.

1. Qualified Non elective Contributions (QNECs)

One means of ensuring the plan passes ADP and ACP analyses is to raise the NHCE averages to the level necessary to support the HCE averages. Let's assume we are using current year testing. In example 3-2 above, the HCEs' ADP is 4.64%, requiring the ADP of the NHCEs to be at least 2.64% to satisfy ADP test standards. If the NHCEs' ADP were 2.38% after averaging the individual ADRs, the plan would need to raise the NHCEs' ADP by 0.26% to achieve passing results. Consequently, if that plan document so allowed, this plan sponsor could choose to make a qualified non elective contribution (QNEC) for NHCEs that can be taken into consideration for ADP test purposes in an amount sufficient to boost the NHCEs' ADP by 0.26%. While currently there are various methods of determining which NHCEs receive a QNEC and in what amounts, the simplest QNEC allocation provides the same percentage of compensation to each NHCE regardless of whether that NHCE deferred into the plan. In the example employed here, the plan sponsor would contribute 0.26% of compensation to each NHCE, thereby raising the NHCEs' ADP by 0.26%. Under the same logic and methodology, a QNEC may be used to correct a failing ACP test.

2. Corrective Distributions

An alternative to raising the NHCE averages by contributing QNECs would be lowering the HCE averages through corrective distributions. In the previous example, the NHCEs' ADP of 2.38% set the HCEs' ADP maximum at 4.38%, or 0.26% lower than the 4.64% the HCEs actually averaged.

Lowering the HCE average is accomplished on two levels. First, each dollar value of the change is calculated by reducing the particular ADRs, in accomplishment, performing with the HCE who deferred the biggest percentage of return until the HCEs' ADP reaches the required level. In this first step, no HCE actually receives a distribution. Second, that dollar value of the correction is apportioned creating with the HCE who deferred the greatest dollar value within the plan. Thus, the HCEs who receive corrective distributions are those who deferred the highest dollar amounts within the plan, and certainly may not certainly be the same HCEs they deferred the largest percentage of premium.

2.1.10 Allocation

Allocation is the annual design which is created by a Third-Party Administrator (TPA) for a retirement plan client. Keeping all the rules above in mind Data-path and July Services do the allocation. This project consists of a collection 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 days, ages 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 reduction of these performances of each of the participant's retirement accounts for the year. This summary includes contributions, distributions, transfers among investments, and investment earnings and losses.

- Trust Accounting: This report shows a plan-level summary of the transactions for the plan as a combination.

- Compliance Tests: This 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.

- Allocation Letter: This letter is sent to the client contains the result of all the reports. Here the contribution instructions are made to instruct the client about what actual amount the participant is getting.

- Daily Recordkeeping Memo: In this memo, the instruction is made for the record keeper to transfer the account balances from which participant's account to whom and whose over funded balances need to forfeit.

Several reports are included too as "Allocation Reports" because all the financial transactions like contributions, investment earnings, distributions, etc. in the plan are "allocated" on this individual participant accounts. To do this allocation each and every employee of Data-path and July Services must have the knowledge and guidelines about the RPF1 & RPF2 and other coursework.

Chapter-3

Bangladesh's Retirement Policy

3 Bangladesh's Retirement Policy

The pension is conferred to a authorities assistant on his/her retirement of public co-operation on the evidence of the period of qualifying help supplied and the variety of compensations last formed. The government dependents had been qualified to a price in Bangladesh. But at nowadays in the fact of many unbiased organizations mainly universities, nationalized companies, banks, etc. the pension gadget has been introduced. The government servants obtain their pension from the administration and directors of self-governing parties take the pension of their appointing authority.

3.1.1 Types of Pension

3.1.1.1 Compensation pension

That pension is contributed to the directors who have failed jobs due to the fact of the destruction of their posts in downsizing some departments or corporations with the aid of the government to maintain sure in the financial area.

A government servant can require compensation pension for his/her past co-operation. He is each chosen in a new post or assigned to different corporations. The approach in implementing this pension includes serving a list of the officers failing their jobs at the smallest expense of this government.

3.1.1.2 Invalid Pension

If an operator enhances void permanently, physically and mentally, in such case, the government awards him/her unreasonable pension. According to Bangladesh service guidelines if an employment exercise at some stage in illogical pension is attaining 57 years of period later head of the department will put together the punishment for the pension on the grounds of that medical certificate as to every invalidation of a character employee.

3.1.1.3 Superannuation Pension

Superannuation pension takes area for the duration of a public servant separates imperatively at a specific age fixed by using the government. In this connection, the length has been constant in the Public Service Act 1974. Consequently, a worker separates from placing after completion of fifty seven years of life. Newly, the authorities has endured this retirement existence for magistrates and public college teachers to sixty five years. The single essential factor in the argument of this pension is that the unique beginning date is now not usually stated in which prevalence date of birth is regarded and rationality of length is lost.

3.1.1.4 Retiring Pension

According to the law concerning the country, the government may, if that considers tremendous in each public hobby so to do, retire from placing a public servant at any time after he has performed 25 years of carrier barring specifying any purpose. But any special appointing authority is now not authorized to make use of this power. If any sub-ordinate appointing authority seeks that an worker employed by means of it must go away after 25 years of service, in that case, this authority shall recommend to that worried ministry to that result. In the case of gazette officers, the impression of retiring shall be linked to the President of Bangladesh concerning choice.

3.1.1.5 Optional Pension

A public servant has outright right to decide to retire from provider at any second after he has finished 25 years of provider against the only scenario that he shall have to supply a statement in corresponding to the appointing authority at least 30 days earlier to the date of his expected retirement. In this case, the authorities is necessitated to collect the choice and has no prison scope to ignore. But such option as soon as performed shall be final and shall not be approved to be transformed or eliminated.

3.1.1.6 Family Pension

Each pension is subtracted to the household of beneficiaries on his/her loss of life and that is known as family pension. In the instance of a family pension, a public servant while waiting in provider at any time thereafter might also specify one or more portions of his/her household as a successor for the comprehensive or the element of his/her family pension. But in the inadequacy of designation and if the wife of the departed pensioner or any member of the family is no longer prepared, in that case, his/her last governing authority shall decide the replacement for offering household pension and lagniappe. However, mention is delivered here that the commands for family pension are accumulated for several participants specified.

3.1.2 Retirement Benefits

Retirement is the withdrawal of one's occupation or from current works. According to one author, ‘retirement is a time when human beings go from certain roles and are looking for other roles'. The retirement privileges are granted to the retired employees of the government and predatory organizations. A retired public servant is detailed to a variety of benefits at retirement.

3.1.2.1 Leave Preparatory to Retirement (LPR)

That is possible for a retired public servant. The duration of such depart may additionally elongate to away the date of retirement however no longer past the conclusion of the fifty-eighth year of age and if he advances on so go away until now the time of his/her retirement, his/her retirement shall be ready on the expiry of the allowance. After experiencing the LPR, if the retiree has bought go away to his/her credit score he will be exact to 12 months' pay for 12 months' of un-enjoyed obtained permission.

3.1.2.2 Gratuity

The government at once approves gratuity to the retiring physique up to 80% of the compensations of the retiree in the back of his/her completing 25 years' service. Immediately a retired public servant has authorized a gratuity in lieu of 50% of his whole pension which he capitulates imperatively at the fee of To 200 for one TK. He is additionally approved to abandon the first-rate 50% of his/her gross charge at the rate of Tk. one hundred for one TK.

3.1.2.3 Family Pension

Each household of a retiring public servant is specific to a family pension in the following manner:

The retiring worker shall specify one or extra individuals of his/her family as a follower for the pension. In the deficiency of appointment the method of choosing followers for his/her household pension and gratuity shall be as follows:

a) In the country that the male employee, his wife/wives

b) In the match of a lady employee, her husband

c) Children of the departed

d) The widowed wife/wives and sons of the deceased son of the departed employee

If the person above successors is not feasible, the resulting families of the departed worker shall be counted as beneficiaries for pension and gratuity:

a. Brother of fewer than 18 years of duration
b. A single and widowed sister
c. Father
d. Mother

Specifying is here that if that spouse of the departed employee does not remarry, he will be unique to such pension. But if he starts into remarriage, he will not be qualified to such pension.

3.1.2.4 Government Accommodation

During the overall performance of death, retirement including obligatory retirement, the retired character or his family is approved to settle in the nominated accommodation. If the retired worker (allotted) expires whilst in duty, his/her household shall be approved to continue to be in the lodging for two years subject to distinct skills of the day of the death of the allotted.

3.1.2.5 Benevolent Fund

If each retired employee dies at some stage in duty pastor dies inside 5 years of the date of superannuation, he or in the case of death, his/her family, shall be allowed to acquire a manufacturer fund provide from the benevolent provide in accordance to the order particularized in the plan, for a time of ten years.

3.1.2.6 Group Insurance

Group Insurance fund has been practiced by way of the government. All personnel besides the class III and type IV employees are obligated to credit top rate upon the Fund at the exact rates. This is directed with the aid of a Trustee Board. All authorities worker can also pick someone for the duration of getting cash from that fund.

If an worker dies whilst in service, his/her household will get one-time economic cooperation from the Fund. The quantity of such assist shall be commensurate to that pay of 24 months based totally on the modern pay of the departed employee. However, the amount, in any case, shall now not higher Tk. 100,000.

Despite retirement and pensioner compensations free for the retired authority's servants, there are many habitual arguments in the approach of distribution of the benefits. Certain are considered included:

1 Complex Rules:

This public employee when humans retire or die face a range of problems in getting their pensions or household pension and other benefits furnished through the government. The unique guidelines/directives announced through the government similar to the pension, gratuity, benevolent fund, and team insurance are determined to be incompatible and contradictory in implementation. Despite the Public Servants Retirement Act 1974 has been introduced following the liberation of Bangladesh, yet in the remember of administering pension, other rules, authorities regulations, etc. followed are very old. Bangladesh provider legal guidelines which are actually generation/reprinting of the East Bengal Service Rules (PART – I) and the modified pension regulations which includes costs and retirement benefits distributed by means of the East Pakistan Government are supposed in fee of pension. Common pensioners infrequently understand the range of government regulations and policies concerning pension and retirement benefits. That makes the graph of retirement helps a painful experience.

2 Non-qualifying service

Not only are public services pensionable. Simply the pensionable offerings are precise to a pension. Commonly talking, these humans draw salaries of the complete income head of the government are usually provided pensions on retirement. Any of the non-qualifying offerings are referred to below:

a) Some offerings for which price is funded from local independent foundations, trust funds, and nationalized companies or from undertaking and payments are no longer pensionable service.

b) If following the conclusion of the probation time period of the provider the worker is not chosen in any profession, then such probation time shall not be protected as pensionable representatives.
c) Extraordinary leave is now not counted for pension.

d) If a public servant is quickly suspended from his/her post towards the declaration of offense and is redeemed in the stated post and if any section of his/her will pay is appropriated for the suspension time, then the time of brief suspension shall now not be included/considered for the pension. two
e) If one public servant works job after production of medical certificates on the floor of inconsistency, that time of provider shall now not be judged for the pension.
f) If some resignation is presented, the carrier introducing the resignation is dropped and is now not special to the pension.

g) If a public servant is removed or disqualified from provider on account of misconduct, bankruptcy or invalidity, his/her previous carrier is impounded and as such now not supposed for the pension.

3 Retirement Benefits not entitled in certain cases

If any administrative system instituted by means of the authorities or organization or any departmental processes are pending upon a public servant at the time of his/her retirement, he shall not be qualified to any pension or different retirement advantages barring his/her suggestions to any provident fund and the interest thereon till the appreciation of such lawsuits and the return to him/her of any charge or different.

According to the Public Servants Retirement Act 1974, a public servant is any character in the provider of the Republic, however he is no longer any character who:

a) Is a portion of any protection service?

b) Is a trainer or worker of any college?

c) Is employed in or following a commission, council or Board composition for a volatile duration for designated purposes

d) Is a contingent or a work commissioned worker running in the state-owned manufacturing industries

e) Exists any office which is stuffed by way of election or nomination following any rule and

f) Continues any office the safety of which is organized by means of or beneath law

4 Accommodation Facility

In the motive of demise or retirement of a public employee his/, her household is authorized to maintain the selected lodging solely for a quick period. In most cases, it occurs that households of retired individuals face acute issues of housing after vacating the chosen accommodation. Most of the households do not hold personal residence and are additionally now not sensible of hiring turning into non-public accommodation. At this, the kids of the families who are but to whole their schooling face huge hurdles in their studies. Their schooling is virtually disrupted. On the different hand, the aged contributors of the family experience insecure for want of living houses and financial restrictions. The effect is that the socio-economic instances of most of the households of the separated officers end up deteriorating after retirement and passing out of supplied service.

Some retirement benefits that are afforded to the retired officers and employees of the defense services are essentially the same as are accessible to the personnel of some civil ceremony. The only deviation in the case of defense service is that the employees of this service accept 'Ration' in the form of concessionary quantities in addition to normal benefits. The defense service holders are separated by the government imperatively in the fact of their physical and medical unfitness. But this is not the site for public benefit employees.

Chapter-4

Findings & Problems Identified

4 Findings & Problems Identified

The reporting guidelines and regulations in the American retirement benefit format are very organized. This retirement sketch enterprise is carried out following the IRS (Internal revenue service) and DOL (Department of labour) guidelines. The reporting is mainly finished by using following the ERISA code (Employee Retirement Income Security Act). The clean operation and functioning of the retirement industry rely upon the oversight characteristic carried out through the IRS and DOL. The essential characteristics of American retirement industry are that the organization usually tries to decrease the discrimination within the distinctly.

That ERISA code explicitly established the extremely compensated employee and non-extraordinarily compensated employee. This retirement benefit diagram is also performed coverage test to make sure whether or not all personnel are protected in the design or not. two To ensure equal benefit among the pretty compensated employee and non-highly compensated employee the corporation perform some non-discrimination testing etc. if the design is top heavy (the key employee holds more than 60% of the format assets) then to equalize the advantage of non-highly compensated worker the organization make 3% outfitted non-elective contribution (QNEC) to each non-key employee. To slim up the discrimination between the notably compensated employee and non-highly compensated worker the company performs all kinds of tests.

After structuring all the information from the US and Bangladesh, I have got some differences between those retirement plans. Some of them are important that is mentioned below:

4.1 American 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.

Government Rules:

US Department of Labor has provided a number of retirement plans. Besides 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.

Peoples desire to save:

People have to contribute some portion of their income to the retirement plan to ensure a secure and benefited future. These contributions become savings for them. Every year they have contributed an amount of money. At the time of their retirement or termination, they would get a handsome amount of profit sharing benefit on their deferred amount.

Rules for highly and Non-Highly Compensated employees:

The HCE cannot contribute more than the allowable percentage of their compensation into the plan. During this process, the US can decrease separation between HCEs and NHCEs.

People's right to know:

The participants of any plan have the right to know where their contribution is going and from which source they are getting the benefit. Not only that, as the US has strict rules on deferring and getting contributions so that participants have a clear idea of how much they are going to get after retirement.

Contribution to the national economy:

The money accumulated from various retirement plans is invested in various ventures especially in the share market. Like almost all the people covered under the retirement plans, the accumulated amount is very high, and the return is also high from the invested amount.

Contribution to the homeland economy:

There are a good number of immigrants in the 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 any venture of their homeland.

Increase Self-dependency:

At old age, they don't depend on their children. They can't think to live with all in a family. These savings, benefits are the main instrument to make them self-dependent.

Age limit:

The age limit is maximum 65.5years. They are 100% vested at that age. They have also early retirement policy which is followed for 55 years.

4.2 Bangladesh Government's Pension Policy

This pension scheme in Bangladesh is by and large diagnosed in authority's services. The pension things are determined according to the laws of the Public Servants. In Bangladesh, the retirement coverage is now not suitable to personal organizations. Still, there is no example of using any retirement coverage with the aid of any person proprietorship. The leaders of Bangladesh Govt. retirement coverage are declared below:

Insufficient amount:

The Retirement due to historical time makes the retired human beings very unstable and unprotected. The government doesn't provide any advantage or income sharing amount to the human beings so that the amount that one person developing after their retirement is very insufficient to live future life. The authorities has lately delivered Old Age Allowance Programmed which covers a small fraction of aged humans. Although constrained in coverage, this is a sturdy opening of providing security to the sizeable majority of the elderly human beings who are not satisfied by way of the present day pension arrangement.

Some offerings are off from pension policy

Not all public services are pensionable. Generally speaking, these who draw salaries from the ordinary income head of the authorities are generally allowed pensions on retirement. Those duties for which price is paid from neighborhood impartial foundations, have confidence funds, and nationalized agencies or of fee and expenses are not pensionable assistance.

Terminated employee:

If a public servant is removed or brushed aside from service on account of misconduct, insolvency or invalidity, his/her previous carrier is confiscated and as such now not regarded for a pension. In the USA terminated employees get their due contribution as their rules. Whatever they carried out for their pension fund they will get the element of contribution up to the termination date.

Suspended Employee:

If a public servant is quickly suspended from his/her post in opposition to an allegation of offense and is reinstated in the stated publish and if every phase of his/her pay is appropriated for the suspension length when the period of provisional suspension shall now not be included or contemplated for a pension. This postponement time can also apply. In that time they are no longer able to add greater for a pension.

Not aware of their contributions:

The quantity they are contributing or saving for the provident fund is kept in a bank. This amount is invested in different sources. They do not have any thinking where is going or invested their money. Only they get a fixed activity on their essential amount.

No Scheme for Private sectors:

Most of the people of Bangladesh are working in a private organization. There is no uniform retirement benefits scheme for non-public zone workers. They solely receive some gratuity at retirement. Govt. implies no pension guidelines for them.

No Specific Organization for retirement policy:

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

Lack of self-dependency:

In historical age, Bangladeshi humans are depended on their adolescents so that they have no tendency to tightly close their existence in old age. Some people do this policy but the amount is now not adequate to raise on their lives.

Qualifying Conditions:

The scheme caters only to civil servants and railway employees. A government employee retires at 57 or voluntarily after the completion of 25 years of service, whichever comes first. It is 60 for the teachers and the freedom fighter of Bangladesh. And the early retirement requires 25 years of service.

Same Rules for All Departments:

As authorities guidelines are utilized to all so that these guidelines are now not varies company to organization. The matching contribution or income sharing is no longer applicable. In fact, they are unknown in these terms. The business enterprise has no hazard to exchange the services or coverage something is given to the employee. In the USA, the organization can select the policy format.

4.3 Problems Identified

- Most of the business enterprise is no longer involved for providing the worker associated statistics to the TPA (Third party Administrator).
- There is some organization who does now not prepare allocation Report many years it creates troubles for contrast and determination of tremendously compensated worker and key employee.
- Most of the time the employer does no longer actually indicate the nature of matching contribution whether or not it will be a superior in shape or primary match.
- The company does now not indicate the time when they desire to do the fit whether or not at the give up of the 12 months or each payroll period.
- Some time we faced that our fiber optic line is reduce down or the BTCL hyperlink is down then we have to stop our job till the fiber optic connection receives adequate.

Chapter-5

Recommendations & Conclusions

5 Recommendations & Conclusions

From the realization of pension policy during the whole period of practical experience in Data-path, I have found some differences and lacking Bangladesh pension policy. 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 a very confident way. I believe that my realization will be in agreement with most of the policymakers.

For Data-path:

- **The right person in the Right Place:**

The 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. Employees should have literacy to understand the retirement pension benefit of the USA. So that training should be done perfectly. The employees must have high communication skill as they need to communicate with clients, US consultants. They must have vast knowledge and intelligence to make allocation reports. They should have the ability to take workload in the bust season, before the tax return date. To cope up with these situation employees should be sincere. For this reason, Data-path should choose the right person who can adjust to all the situations. Quickly understanding and analyzing is the stairs to be a specialist in allocation.

- **Should carry on the faith:**

At first, Data-path does some supporting duties for July Services. After a long time, they got permission for making a report for the client of JBS by building the trust. Here privacy and security is the main fact to make a report. Some sensitive information we came to know at the time of making the report. These enable us that we are trustworthy. It should be our proud that a country like the USA trusts us and make their pension report by us. So we should continue this policy. 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:

- **The amount should be sufficient:**

The amount they are getting should be sufficient in amount. If there are many options to contribute and the interest rate is high then the contributed amount and payback amount will be high. It will be helpful for all. For example, the more contributed money is saved the more money is to be invested. 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 if Bangladesh has a specific organization or third party organization for pension policy. To maintain the pension policy Bangladesh should have a specific organization which is only responsible for pension policy. As the USA has TPA for allocation Bangladesh should also have this type of organization. To make a pragmatic policy, contribution, deferral Bangladesh may settle a very responsible, trustworthy organization. It command be necessary for the people and it won't be a trouble for others.

- **Should introduce in the private sector:**

The private sector may have its policy for the provident fund. But it is slightly different from the govt. rules. If Govt. introduces pension policy or govt. makes pension policy free for all the sectors of Bangladesh. It will also help to all. For the private sector govt. may make extra rules for the retirement benefit plan. As an employee of Bangladesh, they must have the right to get some facilities from the govt. into this pension fund.

- **Must have too aware about the contribution**

The employee should have the idea about their contributed amount that where that amount is invested or going. If a responsible organization works for the pension fund then it is possible to invest the contributed money in some fixed sources. Such type of organization may maintain a stock market for the participants. These participants can also claim the interest and profit sharing of their money. The income will increase for all.

- **Should motivate for the provident fund:**

Not all the personnel are having a provident fund. So Government should motivate their personnel for the provident fund with the aid of offering new incentives or facilities. Family maintenance is the basic security of most retired people in Bangladesh. Policy stage leadership and institutional groups to put into effect social safety to the venerable backyard the household exercise are quite limited. There is a felt necessity for evolving a superannuation and pension device that will be fair, unbiased to all sections of the society, meet the approved responsibility from social safety for the retired and conform to primary human behavior. Talking about the blessings to function a provident account and boundaries of not keeping provident fund may also motive them it will be essential for the future life of the employees and the authorities too.

- **Should have rules for HCE/ NHCE:**

Bangladesh govt. should further imply some rules for extremely compensated employees to overcome the inconsistencies' within highly and non-highly compensated employees. Original deferral and contribution percentages and limit may make accessible to lessen this kind of discrepancies'. If HCEs follow the limit or percentages then NHCEs will be benefited.

- **Should increase self- dependency:**

In the old age, children are the shelter for the people. This tendency makes them disabled. If they become active in work life and maintain provident fund properly then self- dependency will increase in our country. If the policymaker improves their pension policy or follows some effective rules of US pension policy then it will increase the self-dependency. So in the old age, they don't need to depend on their child or don't need to live in the old home.

5.1 Conclusions

After exploring the IRS guidelines and regulations it may additionally be concluded that the American retirement benefit layout is encouraging the American citizen to save cash for their historic age. The clean functioning of an enterprise depends upon the activities of the organization which over sighted the feature of the industry. For all types of retirement benefit diagram reporting the IRS and DOL has the separate deadline to publish the file which must be maintained by the format sponsor. The IRS no longer solely impose a penalty for non-compliance with the policies however also supply incentives to those sketch sponsor who is constantly complied with the IRS and DOL guidelines.

The organization who has a retirement benefit graph can get the tax advantage from the federal government. The organization income sharing and the matching contribution which is contributed through the business enterprise are totally tax exempted. So set up the retirement advantage graph has a twofold benefit. One is the worker pleasure to work because they have monetary security at their old age and another one is tax advantage from the central government. The American retirement gain layout is making a contribution to their inventory market and makes human beings interested in the inventory market and contributing to the common economy. This record may additionally assist to enhance the retirement benefit system of Bangladesh.

After exploring the IRS policies and regulations it may additionally be concluded that the American retirement advantage layout is encouraging the American citizen to keep cash for their old age. The smooth functioning of an enterprise depends upon the activities of the group which over sighted the feature of the industry. For all kinds of retirement benefit plan reporting the IRS and DOL has the separate closing date to submit the file which need to be maintained with the aid of the format sponsor.

The IRS now not only impose the penalty for non-compliance with the rules however also supply incentives to those plan sponsor who is continually complied with the IRS and DOL guidelines. The organization who has a retirement benefit design can get the tax advantage from the federal government. The corporation income sharing and the matching contribution which is contributed with the aid of the enterprise are totally tax exempted. So set up the retirement benefit sketch has a twofold benefit. One is the employee delight to work because they have economic protection at their old age and some other one is tax benefit from the central government.

The American retirement benefit layout is making a contribution to their inventory market and makes humans involved in the inventory market and contributing to the average economy. This document may additionally help to improve the retirement benefit machine of Bangladesh.

Chapter-6

Appendix & References

6 Appendix & References

6.1 Acronyms:

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

LPR — Leave Preparatory to Retirement

LLC — Limited Liability Company

LLP — Limited Liability Partnership

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