

FTW Step 11: Valuation Liabilities for Replication / First Year Valuation

10/30/2024 1:04 pm CDT

- Scrub task parameters – The override parameters should reset each year to 'No' and this is generally what you want for ongoing processing after the conversion year. There are times when you may want to override calculations in years after conversion and these overrides can continue to be used, as needed. You will have to set them each year for an override to be in effect.
- Run the Scrub task – Click the Run icon  for the Scrub task, which will turn green when completed (only the first Scrub for a BOY valuation).
- Eligibility Status report
 - EOY valuation - check this report for accuracy before proceeding by clicking any of the icons in Word, pdf, or excel format.
 - BOY valuation - There is no Eligibility Status report since the majority of processing occurred at the end of the previous year. You can check that prior year-end report. The only thing missing from that will be participants with a plan entry date equal to the current BOY valuation date.
- Run Benefits & Liabilities (B&L) task – Review and update parameters
 - For cash balance plans only, complete
 - (1) 'Current Year Actual Interest Credit Rate' (in 2nd B&L for BOY valuation)
 - (2) Group definitions - click 'Groups' link and fill in the definitions (in 2nd B&L for BOY valuation)
 - (3) 'Future Interest Crediting Rate Assumption for Valuation' (in 1st B&L for BOY valuation)
 - Run the task by clicking the  icon, which will turn green when completed successfully (only the first Scrub for a BOY valuation).
- Check 'Valuation Results' report - From the B&L task, check the Valuation Results report
 - Ongoing years (including first year of startup plans) - Check for reasonableness (note that for startup plans with no prior service credits or account balances on the effective date, Funding Target = \$0).
 - Replication Year only - compare liabilities to prior system's results, with the goal to get IRC 430 Funding Target & Target Normal Cost within 2% of prior system values for automatic IRS approval for a funding method change due to a new valuation system.

Replication Year troubleshooting

- *If the prior valuation system did not use monthly discounting, differences (sometimes significant) can occur. ftwilliam has been granted a special class ruling by the IRS for discrepancies caused by a change to a monthly method. The ftw system uses attained ages to the month for all PV calculations. Please contact Support for further assistance.*
- *Confirm use of the conversion process outlined in the Steps above based on a Conversion Year prior to the Replication Year and that service-to-date amounts were entered.*
- *Ensure compensation history was uploaded so that 415 limits are correct.*
- *Verify the correct plan definition for Actuarial Equivalence in the General Information section of Plan Specifications.*
- *Verify IRC 430 segment rates in Assumption Specifications match the prior valuation.*
- *Verify the correct probability for lump sum distributions in Assumption Specifications.*
- *Verify account balances and/or accrued benefits at BOY and EOY match prior valuation.*
- *Verify Each participant's assumed commencement date matches the previous system.*
- *For a cash balance plan, in the Benefits & Liabilities task verify:*
 - *Principal credits are defined in the Groups matrix.*
 - *The correct interest crediting rates for current year Interest Credits and the projected rate for funding purposes are both entered.*
- *For fractional accrual plans formulas, check that projected service at NRD matches the prior valuation. These can be overridden if necessary.*

If everything above is correct and the differences in the funding target and target normal cost are not more than 2% compared to the prior system, it is a successful match.

• Plan Costs task

- Replication year – Do not run the Plan Costs task – You only need to replicate liabilities and not the entire set of valuation results; however, we recommend entering credit balance overrides as follows:
 - Open the Plan Costs task parameters and scroll to find the Transactions link at the bottom of the Assets and Credit Balances section.
 - Click the Transactions link and click the + button in the top-right corner.
 - Select the COB - Beg bal (override) and/or PFB - Beg bal (override) to enter those amounts as of the first day of the Replication Year.
 - Enter the amount and click the Add & Close button.
 - These values will carry to the following year and assist when populating the Schedule SB.

• Ongoing plan years and first year startup plans (parameters and data entry before running the Plan Costs task)

- Lock Valuation (for BOY valuations only) – After running the Scrub and B&L tasks using beginning of year data, lock the valuation liabilities from being impacted by potential future data entries/uploads or plan changes that could occur during or at the end of the year. This also locks the valuation assumptions from being changed.



- Overrides in general - Many results can be overridden by setting the override to Yes and entering the desired result. The greyed-out boxes contain calculated values from running the Plan Costs task. If you did not run a valuation in the ftw system in the previous year, there are several prior year values that you will want to override even before running the task (see further details by section below).
- Interest Rates section – If you did not run a valuation in the ftw system in the previous year, override IRC 430 prior effective rate and Prior year actual trust rate of return; otherwise, those values will automatically populate.
- Assets and Credit Balances section
 - Averaged assets - If you are using an asset averaging method, enter Averaged Assets without

applying the 90% - 110% MVA limitation.

- Prior year contribution adjustments - If you did not run a valuation in the ftw system in the previous year, override any relevant prior year contribution values (alternatively, you can enter prior year contributions into Transactions and the values should not need to be overridden)

- Assets and Credit Balances ('Transactions' link) - Click this link and add relevant new transactions for the year, including:

- market value of assets
- credit balance transactions
- distributions for expenses & benefit payments
- employer contributions*

* You can continue to add contributions after the end of the plan year and rerun the Plan Costs task as many times as you like until all contributions are made

- Amortization Bases - Make the appropriate selections for the application of ARPA and standing prefunding balance election. Using the 'Prior Bases' link, add existing shortfall and waiver amortizations in the first year running the ftw valuation. After that, new and existing bases will manage themselves.

- Plan Costs section - If you did not run a valuation in the ftw system in the previous year, override Prior Year FTAP and Prior Year Minimum Contribution. These will be used in various current year calculations. You can also determine the final minimum contribution due at any date you enter by running the Plan Costs task when changing the date.

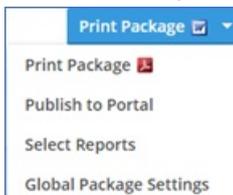
- Run Plan Costs task (to produce interim or final valuation, Schedule SB, and PBGC results)

- Click the



icon, which will turn green when completed successfully.

- Plan Cost Results report - This is the valuation output in a csv file format that can be used to produce a custom valuation report. It also contains Schedule SB and PBGC output at the bottom.
- Valuation Report pages - These formatted pages can be viewed and used independently, or to collate into a report package containing any available pages. You can also define data grids to create participant reports containing any system data.* Use the 'Select reports' option from this dropdown list to define the report, cover letter and other options.



* For participant reports - Go to the Grid Manager and add grids below the Primary Grid. They will become available to select in the report package selection list. Be aware that formatting and spacing are limited with this option, so choose and define grids with that in mind, and adjust as needed.

- Schedule SB (for ftw 5500 module subscribers)

- Populate Form - After running the Plan Costs task, go to the 5500 module and add or open your Schedule SB. Click the button on the form, 'Populate from DB Compliance' next to **Part I | Basic Information**.
- Attachments - Add the prepared Schedule SB attachments from the Plan Costs task by clicking the blue colored text at the bottom of the following screen to select which attachments to include. Additional attachments can be added via the "Attachment Type" drop-down list.

Upload Attachment

Caution: Any attachment that is uploaded will be submitted to DOL and will be publicly available. DO NOT upload any files that contain personal information such as social security numbers.
Note: Files must be in PDF format. The DOL will not accept password protected attachments.

Attachment Type:

**Preparers signing on behalf of administrator: Attach the signed, p
5500 Line A Multiple ER Plans - CSEC Participating employer inform

File Name:

Choose File No file chosen

Attachment Name (Optional):

Add Attachment

Add Schedule SB Attachments from DB Compliance

Add Schedule SB Attachments from DB Compliance ×

- Sch SB line 19 - Discounted Employer Contributions
- Sch SB line 22 - Description of Weighted Average Retirement Age
- Sch SB line 26 - Active Participant Data
- Sch SB line 32 - Schedule of Amortization Bases
- Sch SB Part V - Actuarial Assumptions and Methods
- Sch SB Part V - Summary of Plan Provisions

Add Selected Schedule(s) Close