

YEAR END DATA COLLECTION TASK

FAQ FOR STEP 7 – ANNUAL EMPLOYER/PLAN QUESTIONNAIRE

THANK YOU for providing us with complete and accurate information in response to this Year End Data Collection task. Markley Actuarial Services, Inc. will use the data you provide to prepare the year end testing and governmental reportings for your Plan. This help link is intended to provide general clarification on a few of the questions asked on this screen. Please contact our office if you need specific assistance.

RELATED EMPLOYERS – Report all related businesses or organization

Employees of related employers must be considered together as though they are a single employer for qualified retirement plan purposes, and included in benefits and nondiscrimination testing. Failure to do so can result in potentially having to retroactively make corrective contributions for all employees who were improperly excluded from the Plan. Related employers generally fall under the requirements of either the Controlled Group or Affiliated Service Group rules. The rules are very complex, but a brief description of each is as follows:

Controlled Group of Businesses or Organizations

A Controlled Group is a group of businesses that share common ownership, described in IRC section 1563. Depending on the percentage of ownership, companies under a controlled group (common control) must be treated as a single employer for retirement plan purposes, regardless of whether the employees are covered by the plan being tested.

Affiliated Service Groups

An affiliated service group is a group of two or more businesses that have a common service relationship and, in some cases, an ownership relationship, described in IRC section 414(m). Businesses who meet these requirements must then be treated as a single employer for retirement plan purposes.

Any group of related businesses or organizations that believe they can be treated as separate entities should be sure that their ownership structure does not fall under the controlled group or affiliated service group classification. Please consult the advice of a qualified advisor to make the determination.

COMPENSATION FOR PLAN PURPOSES

The definition of Compensation for Plan purposes is written in the Plan Document and must be followed for determining the benefits provided to participants under the Plan. The incorrect application of the Plan's definition of compensation is one of the most common errors found upon IRS audits. If you are unsure of the compensation to provide, please contact our office. A few pieces of compensation that typically need additional clarification are:

Disability Pay – payments to Participants who are either permanently and totally disabled, or disabled for a fixed or determinable period. This type of pay is sometimes paid by insurance carriers and not paid via payroll. But it is reported on the employee's W-2. Depending on how it is handled, the payments may be considered eligible plan compensation. Please provide answers to each question so that we can assist in determining the disability pay is treated properly for plan purposes.

Severance Pay

True severance pay is generally excluded for eligible compensation for all Plan purposes, by law. Severance refers to compensation paid after the participant terminates employment which is not regular pay for services worked, and it would not have been paid to the Participant had they continued their employment with the Employer.

LEASED EMPLOYEES

A leased employee who is not your common-law employee must generally be treated as your employee for retirement plan purposes if he or she does all the following.

- Provides services to you under an agreement between you and a leasing organization.
- Has performed services for you (or for you and related persons) substantially full time for at least 1 year.
- Performs services under your primary direction or control