

PPA Restatement Is Here For Defined Benefit Plans!

You have questions, we have answers. Click on a question below to see the answer.

Q: When is the DB restatement deadline?

Q: What plan types are offered through the pre-approval program?

Q: As the cash balance plan is now pre-approved, are there any additional documents that a plan sponsor needs to be complete?

Q: How do I convert EGTRRA elections to the new PPA docs?

Q: Can I do batch conversions?

Q: What is new in the traditional defined benefit PPA documents?

Q: What is new in the pre-approved cash balance PPA documents?

Q: What changes were made from EGTRRA to PPA (traditional DB) and from individually drafted to pre-approved (cash balance)?

Q: What if I have a question about a certain plan design or whether plan elections comply with current rules?

Q: We have a plan sponsor that is terminating its defined benefit plan in 2018. What documents need to be completed?

Q: When is the DB restatement deadline?

A: All defined benefit or cash balance plans using the pre-approved documents must be restated by April 30, 2020.

Q: What plan types are offered through the pre-approval program?

A: We now offer three different plan types: (1) traditional defined benefit; (2) cash balance; and (3) traditional defined benefit/cash balance combo.

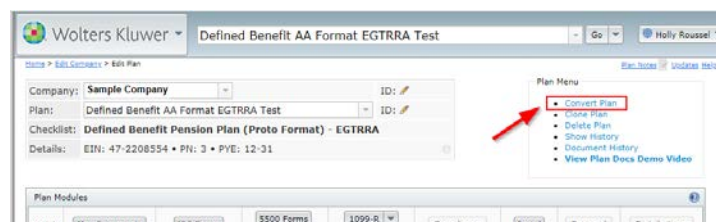
Q: As the cash balance plan is now pre-approved, are there any additional documents that a plan sponsor needs to be complete?

A: No. The IRS initially suggested sponsors of cash balance plans complete IRS Form 8905, Certification of Intent To Adopt a Pre-approved Plan, before the end of the plan’s current 5-year remedial amendment cycle. However, Rev. Proc. 2016-37 made Form 8905 obsolete. Sponsors of cash balance plans can rely on the pre-approved plan cycle by timely restating onto the PPA document. No additional documents need to be completed.

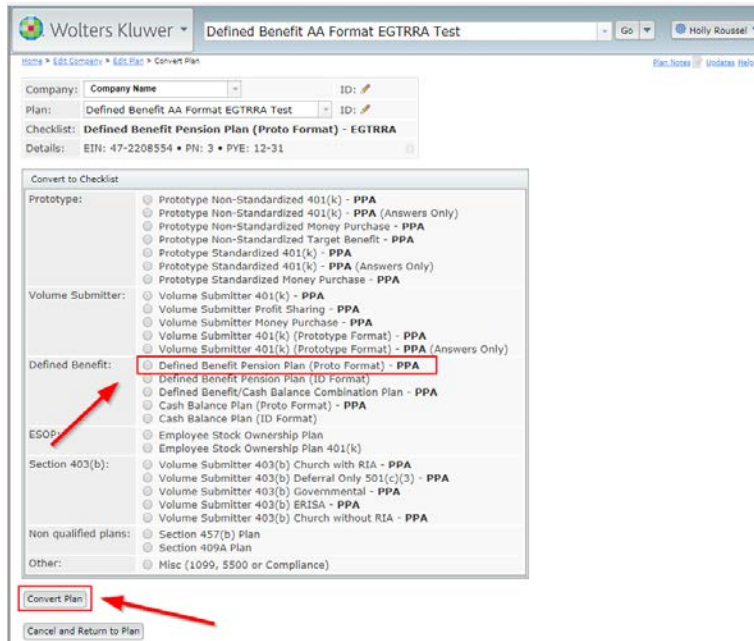
Q: How do I convert EGTRRA elections to the new PPA docs?

A: Follow the five steps below to quickly and easily convert your plan to PPA.

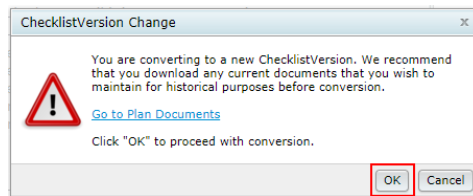
Step 1: After selecting the plan to restate, click the “Convert Plan” link in the upper right hand side of the “Edit Plan” screen.



Step 2: Choose your checklist type and then click the “Convert Plan” button.



Step 3: Confirm that you want to proceed with conversion of your plan. **Caution:** Once you press “Ok” to proceed with the conversion you will not be able to undo the conversion or convert back to the EGTRRA document. We recommend you download plan specs prior to conversion in the event that they might be needed later.



Step 4: Once your plan is done being mapped, review the conversion changes. You may also export the changes to MS Excel.

Section	Line No.	Question	Old Value	New Value
		ChecklistVersion	EGTRRA	PPA
A	12	Include in Compensation payments made to an individual on account of qualified military service:	(BLANK)	Yes
A	19	Include deemed Code section 125 compensation in definition of Statutory Compensation:	(BLANK)	Yes
A	22b	If "Last birthday" or "Nearest birthday" selected, use completed calendar months for Code section 417(a) purposes:	(BLANK)	No
B	9a	Include Modifications to Rule of Parity and One-Year Holdout:	(BLANK)	No
B	10c	Eligible Employees will become eligible to participate in the Plan as of:	12/31/2018	2018-12-31
B	15a	Minimum service requirement:	Specified Hours of Service	Completion of Hours of Service in a 12-month period
B	15c	Enter the Hours of Service that must be completed (without commas):	(BLANK)	1000
C	8	Method to fix Code section 401(a)(26) and 410(b) coverage failures (Section 4.01(d)):	Add just enough	Fail Safe under Section 4.01(d)
C	125.a.F	Group One accrual method:	(BLANK)	Percentage of compensation
C	125.a.B	Group Two accrual method:	(BLANK)	Percentage of compensation
C	125.a.A	Group Three accrual method:	(BLANK)	Percentage of compensation
C	125.a.D	Group Four accrual method:	(BLANK)	Percentage of compensation
C	125.a.C	Group Five accrual method:	(BLANK)	Percentage of compensation
C	125.a.E	Group Six accrual method:	(BLANK)	Percentage of compensation
C	125.a.H	Group Seven accrual method:	(BLANK)	Percentage of compensation
C	125.a.I	Group Eight accrual method:	(BLANK)	Percentage of compensation
C	125.a.J	Group Nine accrual method:	(BLANK)	Percentage of compensation
C	125.a.K	Group Ten accrual method:	(BLANK)	Percentage of compensation
C	125	Benefits distributed pursuant to the terms of a written collective bargaining agreement and described in Section 4.01(d):	(BLANK)	No
C	15a	If "Specified years" is selected, in computing Average Annual Compensation:	(BLANK)	Consecutive determination periods will be averaged
C	18	Average Annual Compensation is computed using the following:	(BLANK)	Plan Year
C	39	Mandatory Employee Contributions are required for Participation	No - formerly allowed	Formerly Required
C	41a	Additional language necessary to satisfy Code section 415 because of	(BLANK)	Yes

Step 5: Once you return to the "Edit Plan" screen, you should now see that your plan is on the PPA Checklist version.

Company:	Company Name	ID:	
Plan:	Defined Benefit AA Format EGTRRA Test	ID:	
Checklist:	Defined Benefit Pension Plan (Proto Format) - PPA		
Details:	EIN: 47-2208554 • PN: 2 • PYE: 12-31		

Q: Can I do batch conversions?

A: We are updating the system to allow batch conversions for all of these documents. We anticipate the rollout to be in early 2019.

Q: What is new in the traditional defined benefit PPA documents?

A: There are a number of new features, including:

- Ability to use completed calendar months for determining age (Section A.22)

- New “other” option for eligibility service requirement (Section B.15)
- Increased maximum to ten for describing unit credit groups (Section C.13b)
 - Still have ability to add more than 10 through addendum
- Ability to select either consecutive or non-consecutive periods for computing Average Annual Compensation (Section C.16)
- Ability to enter any 12 month period for computing high three-year average compensation (Section C.48)
- Expanded “other” option to describe optional distribution forms (Section E.10h)
- Ability to select additional options, years of credited service or anniversaries of participation, for determining early retirement age (Section E.19)
- Ability to describe the allocation of assets upon plan termination if insufficient for full benefits (Sections G.11.1 and G.11.2)
 - Including ability to make distributions to HCEs not in high 25 (Section 7.08(d))

Q: What is new in the pre-approved cash balance PPA documents?

A: There are a number of new features, including:

- Ability to use completed calendar months for determining age (Section A.22)
- New “other” option for eligibility service requirement (Section B.15)
- Ability to create an opening account balance for a new plan (Section C.7)
- Increased maximum to ten for describing principal credit groups (Section C.8b)
 - Still have ability to add more than 10 through addendum
- New “other” option for principal credit period (Section C.9)
- More selections for interest credit rate, including actual rate of return (Section C.13, C.38 and C.39)
- Ability to describe partial interest crediting period (Section C.22)
- Ability to enter any 12 month period for computing high three-year average compensation for 415 limit (Section C.27)
- Expanded “other” option to describe optional distribution forms (Section E.8h)
- Ability to select additional options, years of credited service or anniversaries of participation, for determining early retirement age (Section E.17)

- Ability to describe the allocation of assets upon plan termination if insufficient for full benefits (Sections G.11.1 and G.11.2)
 - Including ability to make distributions to HCEs not in high 25 (Section 7.08(d))

Q: What changes were made from EGTRRA to PPA (traditional DB) and from individually drafted to pre-approved (cash balance)?

A: We made significant enhancements to the document based on IRS guidance and trying to make your life easier (e.g., section numbering is fixed!). We are planning an in-depth webinar in 2019 to review the new documents and provide drafting tips. In the meantime, here is a brief description of some of the changes.

Traditional Defined Benefit

- Actuarial assumptions other than GATT for calculating lump sums do not need to be included in the PPA restatement (EGTRRA Sections A.49, A.50 and A.51)
- The Unit Credit Group provisions (Section C.13b) has been improved. Under the EGTRRA doc, you entered each group's benefit as a percentage with the ability to switch all groups to a dollar amount. The PPA doc provides the ability to select either percentage or dollar amounts for each group.
- Did you previously select the "Benefits Pursuant to CBA" under the pension formula (EGTRRA Section 25.xv)? If so, under PPA, the IRS requires you to select a pension formula described in the document (Section C.13) in addition to the CBA.
- The IRS no longer accepts a normal retirement age below 55 (Section E.1) for a pre-approved plan.
- Expanded ability to select Plan Administrator as an option for Investment Fiduciary while continuing to have the option of identifying another individual or entity (Section G.17).

Cash Balance

- Actuarial assumptions other than GATT for calculating lump sums do not need to be included in the PPA restatement (former Sections A.42a and A.43a).
- For coverage failures, do not need to detail eligible participants or target benefit accrual rates in the PPA restatement (former Sections C.12b and C.12c).

- The IRS removed the ability to describe any limitations or conditions on earning principal credit amounts (bottom of former Section C.24ii).
- The IRS removed the ability to select either six-month period or three-month period for the Principal Credit Period (former Section 25a). If these options were previously selected, mapping is to new “Other” option under PPA restatement (Section C.9).
- Do not need to enter cash balance conversion method for determining accrued benefit after conversion in PPA restatement (former Section C.26b).
- The IRS removed the ability to select certain options for interest crediting rates through NRA. If a benefit is not currently payable, the two available options are using the Applicable Interest Crediting Rate (even if negative) or the greater of the Applicable Interest Crediting Rate or 0%. See PPA Section C.21. The options no longer available are: (i) an average of the Applicable Interest Crediting Rate for current and preceding periods; (ii) the greater of Applicable Interest Crediting Rate for current or preceding periods; and (iii) a write-in “other” option. See former Section C.31.
- Cash balance benefits cannot be reduced by benefits payable under another DB plan, so provisions removed from PPA restatement (former Sections C.34a, C.34b, C.34c).
- The IRS does not accept a normal retirement age below 55 (Section E.1) for a pre-approved plan.
- Do not need to select between annual or monthly periodic reductions for early retirement benefits in PPA restatement (former Section E.12b).

Q: What if I have a question about a certain plan design or whether plan elections comply with current rules?

A: Are you a subscriber to our [TAG \(Technical Answer Group\)](#) service? If so, these are excellent questions to pose to our TAG expert team. If you are not a current subscriber, we recommend talking to your [ftwilliam.com sales consultant](#).

Q: We have a plan sponsor that is terminating its defined benefit plan in 2018. What documents need to be completed?

A: The plan document needs to be timely amended through the termination date. The easiest way of accomplishing this is to restate onto the PPA document. In addition, we will be providing an updated Termination Kit to assist you in terminating your defined benefit/cash balance plans.