

FASCore Documentation

Functional Process: Contributions

Procedure: Per Payroll Employer Match Calculation via Plan Service Center

Date: May 2008

Overview:

These procedures detail all aspects of the Plan Service Center (PSC) calculating the employer match contributions per payroll period for the Plan Sponsor.

Based on the plan provisions outlined in the Basic Plan Document or the Adoption Agreement, the PSC will calculate the employer match contributions per payroll period during the employer match calculation process. Formulas for up to 4 tiers can be calculated using this method.

The current match calculation process should be used for only payroll computation period plans. Compliance does not provide an annual match and true-up calculation for plans using a payroll computation period.

Note: This process has not been beta tested with any MetLife groups. If a Plan is interested in utilizing this service, they should be aware of this fact. Please contact the MetHome Plan Services team to discuss a potential client using this feature prior to any communication/commitments made to the client.

Procedure

- I. Employer Match Calculation Requirements/Mandatory Data Provided by the Client
 - A. The Plan must be submitting payroll files via PDI (Payroll Date Interface)
 1. The file must include employee deferral (contribution) amount
 2. The file must include participants in-period plan compensation for the payroll period across all money types and multiple pay centers (all divisions)
 3. The file must include participants' year-to-date plan compensation amounts across all money types and multiple pay centers (all divisions). This is needed to monitor the 401(a)(17) compensation limit
 4. The file must include participants' year-to-date pre-entry amounts across all money types and multiple pay centers (all divisions). The match formula will not calculate an employer match on this amount.
 5. The file must include an eligibility indicator which indicates the employees who are eligible to participate.
 - a. At this time an assumption is being made that all money types have the same eligibility requirements.
 - b. The FSET can be hard coded with the "Y" eligibility flag

6. The file must include participation date, unless the Service Provider is calculating the entry date.
7. The file must include the payroll date

II.

PSC Procedures

A. Regular Deferral Cash Process

1. The client uploads the cash files
2. If the client provides the mandatory field information noted in section I, the values will be loaded while creating the regular deferral cash event

B. Employer Match Calculation Cash Process

1. Once the deferral process has been completed and a reference number created the client proceeds with the employer match calculation by selecting the appropriate remit reference number or the payroll date of the original cash remittance.
2. Once the remit reference number or the payroll has been selected, the client will select the “Start Employer Match Remittance” button. This will create an employer match calculation cash event.
3. The client can review the calculations; make adjustments and/or corrections to any rejections prior to validating the remittance.
4. For any amounts overridden by the employer, the participant will be flagged and ISIS will store the original calculated amount for that participant
5. The following events will occur after the client executes the Employer Match Calculation button:
 - a. A warning message will be provided if the original cash event is associated with any employer match events
 - b. The plan employer match rule is validated
 - c. The required data is validated
 - d. An employer match cash event is created
 - e. The employer match amount is calculated
 - f. Rejections are created as necessary
6. Following the review, the employer will validate and commit the contribution for processing, initiating the ACH.

C. Helpful Tips when using the Employer Match Calculation Process

1. No employer match calculation will be done if the remit/deferral amount is zero
2. Negative cash will be allocated but the employer match amount will not be calculated for this remit. A new rejection will be created for this remittance.
3. A cash turnaround document is provided just as it is today
4. The deferral amount will be aggregated if the social security number appears multiple times with the same payroll date in the same file

5. Once the participant has reached their yearly limit, the employer match contribution calculation will not process additional employer contributions
 - a. Yearly limit is monitored on compensation limit.
 - b. Yearly limit is not a plan stated dollar limit. The system cannot monitor a dollar cap.
6. The file will be rejected if multiple payroll dates are included in the same payroll file
7. The system will store the original calculated amount for any participant that the employer overrides and changes the system calculated amount.

III. Assumptions and Limitations

- A. Match calculation must be X% of deferrals up to X% of compensation. Any other type of match calculation such as a service rule match calculation cannot be used.
- B. Match calculation must be provided in a formula that the system can use to calculate the match such as 50% match up to 6% of compensation. An example of the type of formula that cannot be accommodated is a service based match such as 1-3 years of service = 50% of deferrals, 4-6 years of service = 75% of deferrals, etc.
- C. All participants under the same plan and money type must have the same employer match rule/percent
- D. If a participant is employed by multiple divisions/payroll centers, their employer match contribution will be calculated independently based on each payroll's deferrals, however the participant's in-period and YTD compensation across all divisions/pay centers should be included in each deferral file
- E. ISIS will not enforce allocation conditions (1000 hours, last day, etc) in order to calculate the per payroll employer match. This will be a future deliverable in the ISIS system
- F. A true up is not done at the end of the year in this calculation process. This will be a future deliverable in the ISIS system

IV. Sample Calculations

- A. One Tier Match
 - Plan matches 50% of deferrals up to 6%

System Interpretation: For deferrals that are between 0% and 6% of the compensation, the match amount is equal to 50% of the deferral amount

Employee's Eligible Compensation for the current period: \$3,000

Employee's Current Deferral Percentage: 10%

Deferral Amount: \$300 (\$3000 x 10%)

Tier 1 Calculation:

Minimum of:

Eligible Compensation x Match Rate x Tier Cap

(\$3000 x 50% x 6% = \$90)

Or

Current Deferral x Match Rate ($\$300 \times 50\% = \150)

Total Employer Match: \$90 (minimum of the two amounts)

B. Two Tier Match

- Plan matches 100% of deferrals up to 3% and then matches 50% of deferrals up to the next 2%

System Interpretation: For deferrals that are between 0% and 3% of the compensation, the match amount is equal to 100% of the deferral amount. For deferrals that are greater than 3% but less than or equal to 5% of deferrals, the match amount is half (50%) of these deferrals.

Employee's Eligible Compensation for the current period: \$5,000

Employee's Current Deferral Percentage: 8%

Deferral Amount: \$400 ($\$5000 \times 8\%$)

Tier 1 Calculation:

Minimum of:

Eligible Compensation x Match Rate x Tier Cap

($\$5000 \times 100\% \times 3\% = \150)

Or

Current Deferral x Match Rate ($\$400 \times 100\% = \400)

Answer: \$150 (minimum of the two amounts)

Tier 2 Calculation:

If Current Deferral/Eligible Compensation > 1st Tier Cap, THEN:

$\$400/\$5000 = 8\%$

8% is greater than 3%

System performs next calculation

Minimum of:

(Eligible Compensation x 2nd Tier Cap) – (Eligible Compensation x 1st Tier Cap)

($\$5000 \times 5\%$) – ($\$5000 \times 3\%$) calculates to:

$\$250 - \$150 = \$100$

Or

(Current Deferral) – (Eligible Compensation x 1st Tier Cap)

$\$400 - (\$5000 \times 3\%)$ calculates to: $\$400 - \$150 = \$250$

Answer: \$100 (minimum of the two amounts)

Tier 2 Calculation – continued

Calculation of 2nd Tier Match Amount:

Minimum amount from previous calculation x 2nd Tier Match Rate

$\$100 \times 50\% = \50

Answer: \$50

Final Match Amount:
Tier 1 = \$150
Tier 2 = \$50
Total Employer Match: \$200

V. Frequently Asked Questions

- Q. Can I review the calculated match contributions before processing them?
A. Yes, the results will be placed in the client's PSC directory where it can be reviewed and approved by the designated client representative.
- Q. Can I tell which Employer Match Contribution reference number ties to which deferral reference number?
A. Yes, each calculated match contribution will have a corresponding deferral event (triggering event)
- Q. If the calculated Employer Match Contribution rejects for a participant based on incomplete information (no YTD plan information, or missing in-period compensation) will the deferral contribution reject as well?
A. No, if the Employer Match Contribution does not get processed due to lack of information, the employee contribution will still be processed as usual. The Employer Match Contributions are initiated after the employee contributions have been processed.
- Q. Will I receive a turnaround document for the employer match contribution?
A. Yes, a turnaround document is created just as it is today for any other contributions being processed via PSC.
- Q. Can the tiers be changed over time due to a plan document amendment?
A. Yes, once the plan document has been amended, we will terminate the present tier formula and create a new formula, retaining the tier history.
- Q. Could an ineligible participant receive an employer match contribution?
A. No, an ineligible participant should not have an employee contribution on the deferral file or an eligibility indicator of Y; therefore an employer contribution would not be calculated. Additionally, only one eligibility requirement by money type may be performed.
- Q. Can an eligible participant not contribute on the deferral file but still be eligible for an employer match contribution?
A. Currently the system will not calculate an employer match contribution if the participant is not on the deferral file.
- Q. Can a negative employee deferral be submitted and if so, will a negative employer match contribution be calculated?
A. Yes and no. A negative deferral can be submitted to correct a previous overage. However, if there is a negative value for the contribution, the

system will not calculate an employer match contribution for that participant. There should not be negative values in the compensation fields on the PDI file, as the in-period compensation should never have corrections in it. The YTD compensation should be corrected in the employer's files to reflect correctly in the YTD totals submitted.

- Q. Does the same employer match contribution calculation apply to each division/payroll center a participant may be in if employed under several different divisions?
- A. Yes, each division has its own payroll deferral submission, therefore, employees set up under multiple division/payroll centers will have their employer match contributions calculated independently based on that payroll's deferrals. However, the participant's in-period and YTD compensation across all divisions/pay centers should be included in each deferral file.
- Q. Are there built in limitations on the employer match contribution calculations?
- A. Yes, the formulas used in these calculations are updated every year to reflect the 401(a)(17) compensation limits. Once the participant has reached their yearly limit, the employer match contribution calculation will not process additional employer contributions.
- Q. Can multiple employee money types have different employer match contribution formulas?
- A. Yes, each employee money type will be tied to its own employer match contribution formula. These can be terminated and updated with plan document amendments. Process does not look at a plan limit
- Q. Will ISIS enforce allocation conditions in order to calculate match (1000 hours, last day, etc.)?
- A. At the current time, ISIS will not verify this data.