

FASCore Documentation

FUNCTIONAL PROCESS: Forfeitures

PROCEDURE: Establishing Forfeitures by Subset

DATE: March 2008

Overview

Forfeiture accounts can be set up to track by subsets (divisions/paycenters) only for plans that use forfeitures to offset contributions. At the time of distribution any non-vested money will be sold and the cash proceeds transferred to the Plan's forfeiture subset account based on the subset the participant is in at the time of the distribution. This will aid the various divisions/paycenters in using forfeitures to reduce a contribution or reduce fees as they will know what their forfeiture balance is on any given day. Additionally, this allows divisions to disclose the amount of plan assets in the forfeiture account for any financial reporting requirements they may have. PSC logins already restrict security access at a subset level; allowing forfeitures to offset contributions for only the subset(s) the PSC user has access.

Procedure

- I. Establishing the Forfeiture Account by Subsets
 - A. A Plan must remit their contribution files by division/paycenter
 - B. ISIS has a new forfeiture basis indicator in group account information. This must be set to the same basis as what is set up in Remittance Parameter for contribution processing.
 1. If a plan has both divisions and paycenters and is submitting contributions by paycenter, then the Remittance Parameter is set up with P's. If submitting by division, then the Remittance Parameter is set up with D's.
 2. The forfeiture basis indicator is set according to what is set up in Remittance Parameter.
 3. If a Plan is submitting contributions by paycenter and wants to track forfeitures by division, they will need to change their payroll processing and submit by division.
 - C. Plans with an existing forfeiture balance, must decide if they want to start tracking by subsets going forward or if they want to split out the existing forfeiture balance by subset.
- II. Plans Choosing to Break Out Existing Forfeiture Balances
 - A. A Plan will be restricted for a minimum of 2 business days from using forfeitures while submitting contributions. Additionally, distributions will not be processed while the forfeiture subsets are being set up.

1. To avoid a Plan from offsetting a contribution with forfeitures while the forfeiture balances are being moved, forfeiture access will be restricted while processing contributions via PSC by setting the forfeiture rules (reduce contribution, employer rule and reduce expenses) in the vesting screen to a "N".
 2. Distributions will be restricted by placing a distribution hold indicator to avoid additional forfeitures being deposited into the forfeiture account while balances are being moved.
 3. Additional consideration needs to be taken if the plan offers periodic payments. FASCore will not be establishing forfeitures by subset on the days they are processing a high volume of periodic payments, which is typically the 1st and 15th of the month. The distribution hold does prevent periodic payments from generating, however, once the distribution hold is removed, the payments will be generated retro dated causing gain/losses. The Plan Support Account Manager should be contacted to request the ppay report be run to determine the Plan's highest volume of scheduled periodic payment dates.
 4. Once the request/paperwork is submitted to set up forfeitures by subset, the Plan Support Account Manager will review and meet with the Asset Team to determine the amount of time the request will take to process. The Plan Support Account Manager can then provide a timeline.
- B. If the Plan is not currently processing contributions by division/paycenter, they must break out their contribution files and begin processing by subset.
1. PDI changes may need to be submitted requiring discussion with Plan Technical Support and possibly the Payroll Vendor which may incur additional charges to the Plan.
 2. Banking changes may need to be submitted when the Plan begins processing contribution files by subset.
 3. Review PSC user access to ensure that divisional authorization has been given to the appropriate individuals and submit changes via the Login Request form.
- C. Submit request to add forfeitures by subset, forfeiture activity report, and spreadsheet that breaks out the existing forfeiture balances(s) to the Plan Support Account Manager.
1. The Plan can run a Forfeiture Activity Report via PSC to obtain their balances by money type and fund.
Note: if running the report current day, the balances reflected will be from the prior business day.
 2. Create a spreadsheet that details the amount each division is to receive by money type and fund. See attached sample.

3. If there are participants in the Plan's default subset, it is recommended that they be reassigned to a valid subset. This is to prevent forfeitures ending up in the Plan's default subset.
- D. In order for the existing forfeiture balance(s) to be split out into the various subsets, the forfeiture balance(s) must first be assigned to a default subset.
1. The Plan Support Account Manager submits a request to Plan Management to set the forfeiture basis indicator to what is set up in Remittance Parameter and to setup the forfeiture default subset with a title of Forfeiture Default Account and effective date.
i.e. D 998 - Forfeiture Default Account – 1/15/2008. The forfeiture default division/paycenter number and date must be provided to Plan Management.
 2. The Plan Support Account Manager submits an AR ticket to Production Support requesting all the activity currently in the existing forfeiture account (ga_invopt_acty and ga_invopt_bal) be relabeled and assigned to the new forfeiture default subset. Include in request to run DBC after nightly distribution batch process.
 3. Ticket to be submitted to systems at least 3 business days prior to the requested effective date.
 4. Movement of the balances from the forfeiture default account to the various forfeiture subsets is done by the AssetTeam.
 5. Once Production Support has assigned the activity and balances to the new forfeiture default subset, Plan Support Account Manager submits request to the AssetTeam via email and attaches the spreadsheet and copy of the Forfeiture Activity Report.
 6. The AssetTeam will transfer the balances to the new forfeiture subsets based on the information provided in the spreadsheet.
 - a. The balances will be moved using an effective date of the day the client ran the Forfeiture Activity Report.
 - b. The processing must be done same day to avoid any gain/losses. Balance movement may take a few days to complete depending on the number of divisions. The AssetTeam will verify the number of days it will take to complete.
 - c. There may be a small balance left in the forfeiture default account due to dividends or possibly additional forfeitures from distributions processed while the Plan was creating the spreadsheet to breakout the balances.

- d. The Plan should check the forfeiture account balance again prior to sending in their spreadsheet to verify if additional forfeitures/dividends have been deposited. If so, they should include those amounts in their spreadsheet to avoid leaving additional amounts in the default forfeiture account. A copy of the new Forfeiture Activity Report should be sent in with the request so that the appropriate effective date is used for processing.

III. Plans Choosing to Track Forfeitures Going Forward

- A. A Plan will be restricted for a minimum of 2 business days from using forfeitures while submitting contributions. Additionally, distributions will not be processed while the forfeiture subsets logic is being set up.
 1. To avoid a Plan from offsetting a contribution with forfeitures while the forfeiture balances and activity are being assigned to the new forfeiture default account, forfeiture access will be restricted while processing contributions via PSC by setting the forfeiture rules (reduce contribution, employer rule and reduce expenses) in the vesting screen to a “N”.
 2. Distributions will be restricted by placing a distribution hold indicator to avoid additional forfeitures being deposited into the forfeiture account while the forfeiture balances and activity are being assigned to the new forfeiture default account.
 3. Additional consideration needs to be taken if the plan offers periodic payments. FASCore will not be establishing forfeitures by subset on the days they are processing a high volume of periodic payments, which is typically the 1st and 15th of the month. The distribution hold does prevent periodic payments from generating, however, once the distribution hold is removed, the payments will be generated retro dated causing gain/losses. The Plan Support Account Manager should be contacted to request the ppay report be run to determine the Plan’s highest volume of scheduled periodic payment dates.
 4. Once the request is submitted to set up forfeitures by subset, the Plan Support Account Manager will review and can provide a timeline if requested.
- B. If the Plan is not currently processing contributions by division/paycenter, they must break out their contribution files and begin processing by subset.
 1. PDI changes may need to be submitted requiring discussion with Plan Technical Support and possibly the Payroll Vendor which may incur additional charges to the Plan.

2. Banking changes may need to be submitted when the Plan begins processing contribution files by subset.
 3. Review PSC user access to ensure that divisional authorization has been given to the appropriate individuals and submit changes via the Login Request form.
- C. Submit request to add forfeitures by subset to the Plan Support Account Manager with a note that the existing forfeiture balance is not being broken out at this time.
- D. The existing forfeiture balance(s) will first need to be assigned to a forfeiture default subset in order for the individual forfeiture subsets to be set up going forward.
1. The Plan Support Account Manager submits a request to Plan Management to set the forfeiture basis indicator to what is set up in Remittance Parameter and to setup the forfeiture default subset with a title of Forfeiture Default Account and effective date. i.e. D998 – Forfeiture Default Account – 1/15/2008. The forfeiture default division/paycenter number and date must be provided to Plan Management.
 2. The Plan Support Account Manager submits an AR ticket to Production Support requesting all the activity currently in the existing forfeiture account (ga_invopt_acty and ga_invopt_bal) be relabeled and assigned to the new forfeiture default subset. Include in request to run DBC after nightly distribution batch process.
 3. Ticket to be submitted to systems at least 3 businesses days prior to the requested effective date.
 4. No actions required by the AssetTeam as the Plan choose to track forfeitures going forward.
 5. At some point the Plan will need to address the forfeiture balance in the default forfeiture account as it will not be available to the various subsets.

IV. Miscellaneous Facts

- A. Once forfeitures by subset is established, the system will automatically create a forfeiture subset based on the division/paycenter the participant is in at the time of distribution.
- B. If a forfeiture subset already exists for the division/paycenter the participant is in at time of distribution, the forfeiture amount is simply deposited into that forfeiture subset.
- C. If at time of distribution a participant does not have a division/paycenter assigned, the distribution will fail. Benefits will reject the distribution back to the Plan requesting a division/paycenter for the participant in order for the distribution to complete.
- D. A division/paycenter can obtain their forfeiture balance by ordering the Forfeiture Activity Report through PSC. They can also view the forfeiture account balance when processing a contribution and select the offset

- contribution button.
- E. The Forfeiture Activity Report tracks where the participant was at the time of forfeiture, rather than where the participant is at time of the report. This is a benefit to plans that share employees and want the forfeitures to be reflected to the appropriate employer.
 - F. PSC logins restrict security access at a subset level. A PSC user will only see the subsets they have been given access.
 - G. Any forfeiture money source can be used to offset an employer contribution. i.e. if contribution being processed is for ERB 1 but only have money in ERB 2 forfeiture, it can be used to offset the ERB 1 contribution for that subset.
 - H. The Plan Summary Forfeiture section breaks out the balances/activity by division/paycenter.
 - I. The forfeiture subset balances can be viewed in ISIS in the forfeiture account balance screen. Balances are displayed by money type or investment option. F12 on a money type or investment option and the balances will be displayed by forfeiture subsets for that specific money type or investment option.
 - J. Account adjustments involving the reversal of a distribution with forfeitures processed prior to the establishment of the forfeitures by subset will require funds to be deposited into the forfeiture default subset as this is the account the reversal will pull from.
 - 1. In order for the distribution to be reversed, the division/paycenter may need to authorize FASCore to move the forfeiture amount of the distribution from their forfeiture subset to the forfeiture default subset if there is not a sufficient amount in the forfeiture default to support the reversal.
 - 2. The effective date used to move the money from the forfeiture subset to the forfeiture default account must be the original date of the distribution. If the reversal is being done using the current day reversal method, use the current date to move the money from the forfeiture subset to the forfeiture default subset.
 - 3. Once the distribution is reprocessed, the forfeiture amount may not be the same depending on the type of correction.
 - 4. Any forfeiture amount will be deposited into the appropriate forfeiture subset automatically once the distribution is reprocessed.
 - K. Typically the designated Plan's participant default subset is D9999 and/or P9999. If a participant has never been designated with a valid subset through PDI, the system will automatically assign the Plan's default subset to the participant. Only PSC users with authorization to all subsets or PSC users that have been given authorization to the Plan's default subset will have authorization to the forfeiture information of the default subset. Plans should review participants designated to the default subset and reassign them to a valid subset. See section II, C, 3.

- L. If a plan allows for forfeiture reallocation and wants to track forfeitures by subset, a product exception will be required.
 - 1. Plan Documents don't typically allow for a different rate of contribution by subset.
 - 2. Additional non-discrimination testing may be required resulting in charges to the Plan.
 - 3. Compliance may have to manually create the forfeiture reallocation files.
 - 4. Reallocation files may need to be processed internally by FASCore.