

**SUNGARD** RELIUS EDUCATION

Pension Elements

## PENSION ELEMENTS

# Welcome

Pension Elements is a 7-part series designed to acquaint new learners with the terms and concepts related to qualified retirement plans.

When you complete this series, you will be familiar with some very important concepts and features of qualified plans.

You will understand:

- why employers sponsor qualified plans
- the typical types of plans available
- the basic characteristics of these plans
- when and how employees may participate
- who writes the rules and regulations

**PES101****Introduction to Retirement Plans**

Americans are living longer than ever before and are retiring earlier without the continuing steady income of a job. Many retirees pursue an active lifestyle, catching up on all the activities they missed while pursuing a career. To maintain this active lifestyle, or, in many cases, just to maintain the lifestyle which they had become accustomed to while working, employees need to achieve economic security before retirement. Social Security is one part of this security; personal savings is another part.

However, these amounts may fall short. Increasingly, the shortfall is made up by amounts generated by employer sponsored qualified retirement plans. These plans allow employees to build up large amounts for retirement through tax deferred earnings and contributions from the employer.

**Learning Objectives**

In this course, we will discuss the basic reasons why retirement plans exist and why employers sponsor them. After completing this course, you will be able to:

- define qualified and non-qualified plans
- differentiate between defined benefit and defined contribution plans
- describe three reasons why employers are motivated to sponsor plans
- list the basic characteristics of qualified plans

A) Introduction

B) Why Employers Sponsor Retirement Plans

- (a) Economic Security
- (b) Favorable Tax Treatment
- (c) Employee Incentives

C) Plan Basics

- (a) Retirement Income Sources
- (b) Qualified Employer Plans
- (c) Non-Qualified Plans

D) Plan Types

- (a) Qualified Plan Types
- (b) Defined Benefit Plans
- (c) Defined Contribution Plans

E) Summary

F) Quiz

## PES102

### Characteristics of Qualified Plans

In this course, we will begin our discussion of retirement plans – who can participate in them, what benefits a participant can receive, how much the plan can contribute for those participants, and how the plan will be administered to fairly benefit all participants. When you complete this module, you will be familiar with terms such as highly compensated employee, 415 limit, and vesting.

### Learning Objectives

In this course we will discuss who is eligible to participate in a qualified retirement plan along with the basic types of benefits that a person can receive. We will also discuss the basic requirements needed to show that the plan complies with laws and regulations. After completing this course, you will be able to:

- explain who is eligible to participate in a plan
- describe when employees can participate in a plan
- list the basic requirements and limits on how much an employer can contribute to a plan
- define basic provisions that must be included

#### A) Introduction

#### B) Who Can Participate in Retirement Plans

- (a) Must Be Employees
- (b) Age and Service Requirements
- (c) Excluding Certain Groups

#### C) When Employees Benefit From The Plan

- (a) Retirement, Death, or Disability
- (b) Loans-Other Distributions
- (c) Terminating and Vesting

#### D) How Much the Employer Contributes

- (a) Overview
- (b) Contributions to the Plan

#### E) Proving Compliance

- (a) Overview
- (b) HCEs
- (c) Key Employees
- (d) Coverage Test
- (e) Top Heavy Testing
- (f) Minimum Participation Test

#### F) Summary

#### G) Quiz

**PES103****Defined Benefit Plans**

Qualified plans come in two main types: defined benefit plans and defined contribution plans. There are several differences between defined contribution and defined benefit plans. A DC plan has accounts established for plan participants, its contributions are determined by a formula explained in the plan document, and the benefits payable to participants are their account balances. A DB plan has no individual accounts for participants, its benefits are determined by the formula explained in the plan, and contributions are made to fund these promised benefits.

**Learning Objectives**

In this course, we will discuss Defined Benefit plans, the type of retirement plan that many people think of as pension plans. We will discuss the various types of Defined Benefit plans along with how these plans are funded. After completing this course, you will be able to:

- describe basic characteristics of a Defined Benefit plan
- understand the different types of Defined Benefit Plans
- describe how Defined Benefit plans are funded
- understand how the benefits in a DB plan are guaranteed

- A) Introduction
- B) Characteristics of Defined Benefit Plans
- C) Types of Defined Benefit Plans
  - (a) Compensation and Services
  - (b) Non-integrated Plans
  - (c) Integrated Plans
  - (d) Accrued Benefit
- D) Funding of Defined Benefit Plans
  - (a) Minimum Funding
  - (b) Maximum Limitations
  - (c) PBGC
- E) Summary
- F) Quiz

**PES104****Defined Contribution Plans**

Defined Contribution (DC) plans are the most popular variety of qualified plans. These plans are characterized by individual accounts for each participant. At retirement, a defined contribution plan pays to a participant the money that has accumulated in that participant's individual account, not a set retirement benefit as in a traditional Defined Benefit plan. The account includes contributions, which have been made by the employer or the employee or both, plus any earnings and forfeitures. The plan document explains the formula that will be used to determine employer contributions. DC plans include profit sharing, ESOP, stock bonus, 401(k), SEP, SIMPLE, IRAs, money purchase and target benefit plans

**Learning Objectives**

In this course, we discuss Defined Contribution plans. These plans, which include the popular 401(k), come in various forms with many different requirements and provisions. After completing this course, you will be able to:

- describe the characteristics of a Defined Contribution plan
- identify the different types of DC plans
- understand how contributions are allocated in a DC plan
- understand how earnings are allocated in a DC plan
- identify other retirement plans and arrangements

## A) Introduction

## B) Defined Contribution Plans

- (a) Characteristics
- (b) Allocation of Contributions
- (c) Allocation of Earnings

## C) Types of Defined Contribution Plans

- (a) Types of DC Plans
- (b) Profit Sharing
- (c) Stock Bonus
- (d) ESOP
- (e) 401(k)
- (f) Money Purchase
- (g) Target Benefit

## D) Additional Plan Types

- (a) Other Plans
- (b) IRA Accounts
- (c) Roth IRA
- (d) SEP Plans
- (e) SIMPLE Plans

## E) Summary

## F) Quiz

**PES105****The Plan Document**

To receive the tax advantages of a qualified plan, the employer must establish the plan by obtaining a plan document, creating the trust fund, enrolling participants, and making contributions. The next three movements will discuss these vital steps in the operation of qualified plans. In this course, we will look at the plan document itself – what requirements the plan document must meet, who sets these requirements, what must be explained in the plan document, and how it must be communicated to plan participants.

**Learning Objectives**

In this course, we discuss the plan document. This is the legal instrument that actually sets up a qualified retirement plan and spells out its requirements, provisions, benefit formulas, etc. After completing this course, you will be able to:

- understand who sets and enforces the legal requirements
- understand the basic requirements of a plan document
- understand how the plan is communicated to the participants
- define basic provisions that must be included

A) Introduction

B) Legal Requirements

- (a) Who Sets Requirements
- (b) Document Communication
- (c) The Trust
- (d) Permanence

C) Plan Provisions

- (a) Eligibility Provisions
- (b) Formula Provisions
- (c) Distribution Provisions
- (d) Vesting Provisions

D) Summary

E) Quiz

**PES106****Establishing a Qualified Plan**

Once an employer has decided to establish a qualified plan, there are many steps to complete before a plan may operate. In this module we will discuss the necessary steps to establish a qualified retirement plan. These include deciding on the plan type which best suits the needs of the employer, opening the trust fund account, adopting the plan, educating and communicating with employees, and beginning the enrollment process.

**Learning Objectives**

In this course, we will discuss the steps needed to set up and install a qualified retirement plan. We will evaluate the selection of a plan type and plan document as well as the formal steps needed to adopt a plan. We also look at the steps to enroll employees. After completing this course, you will be able to:

- list the steps needed to establish a plan
- determine the plan type to be established for a specific employer
- understand the types of plan documents available to use
- outline the steps to formally adopt the plan
- understand the purpose of an IRS Determination Letter
- summarize steps to enroll employees into the newly adopted plan

- A) Introduction
- B) Setting Up a Qualified Plan
  - (a) Selecting the Plan
- C) Form of Plan Document
  - (a) Overview
  - (b) Master or Prototype
  - (c) Individually Designed Plan
- D) Installing the Plan
  - (a) Adopting the Plan
  - (b) Determination Letter
  - (c) Enrolling Employees
- E) Summary
- F) Quiz



**PES107****Plan Administration**

Once an employer establishes a plan, the day-to-day administration of the plan begins. In most plans, the employer is the official plan administrator. However, the employer typically hires a third party administrator (TPA) to perform some or all of the administrative tasks on its behalf. The TPA can be any person or entity, including a bank, insurance company, accountant, actuary or consultant. The administrator performs tasks such as trust accounting, handling distributions for retirement, terminations or hardships, and managing loans. At the end of the plan year, the administrator allocates contributions, tests the plan for compliance with the law, and prepares reports of plan activities for the year for the participants, the employer and the government.

**Learning Objectives**

In this course, we discuss the administration of qualified plans. This includes tasks that need to be done day-to-day as well as tasks that need to be done at the end of the plan year. After completing this course, you will be able to:

- define the day-to-day administrative tasks to be completed by the plan administrator
- describe the end of year administrative tasks to be completed by the plan administrator
- understand annual reporting and filing requirements
- understand compliance testing that must be done each year

A) Introduction

- B) Day-to-Day Administration
- (a) Enrolling Participants
  - (b) Day-to-Day Distributions

- C) Year-End Administration
- (a) Contribution Allocation
  - (b) Trust Accounting
  - (c) Compliance Testing
  - (d) Reporting

D) Summary

E) Quiz

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