

**The webinar is now online.**  
The presentation will begin at 4:00 pm Eastern

- Please print out the following materials to reference during the presentation *(for best results, you may want to print in grayscale rather than full color)*

- 1. Handout version of this presentation**
- 2. ARP Legal Plan Document (May 2011 rev)**

- To download: [www.adventistretirement.org](http://www.adventistretirement.org), HR Personnel, Webinar Materials, non-QCCO Entity Nov 2011 Webinar

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**Adventist Retirement Plan**

Non-QCCO Entity Webinar  
November 17, 2011

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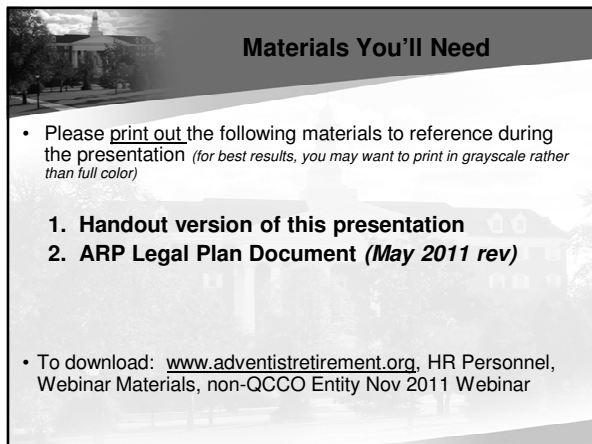
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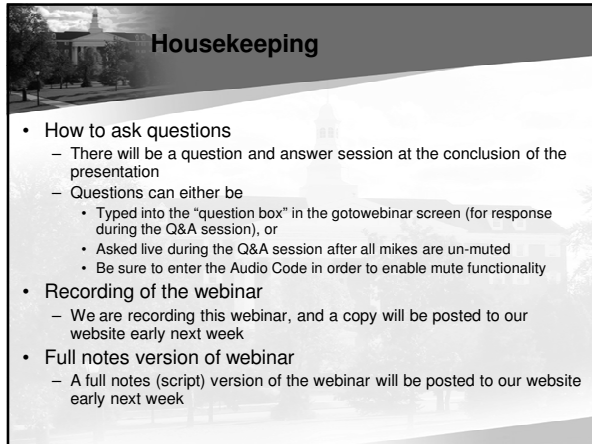
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### Housekeeping

- How to ask questions
  - There will be a question and answer session at the conclusion of the presentation
  - Questions can either be
    - Typed into the "question box" in the gotowebinar screen (for response during the Q&A session), or
    - Asked live during the Q&A session after all mikes are un-muted
    - Be sure to enter the Audio Code in order to enable mute functionality
- Recording of the webinar
  - We are recording this webinar, and a copy will be posted to our website early next week
- Full notes version of webinar
  - A full notes (script) version of the webinar will be posted to our website early next week

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### Presenters & Q&A Support

- Presenters
  - Julie Keaton, DC Plan Specialist
  - Raymond Vasmout, DC Plan Technical Assistant
  - Maurine Wahlen, Associate Administrator
- Q&A Support
  - Beth Roberts, DC Plan Manager
  - Kristina Dahabura, ARP Support
  - Lorne Vernon, DC Plan Programmer

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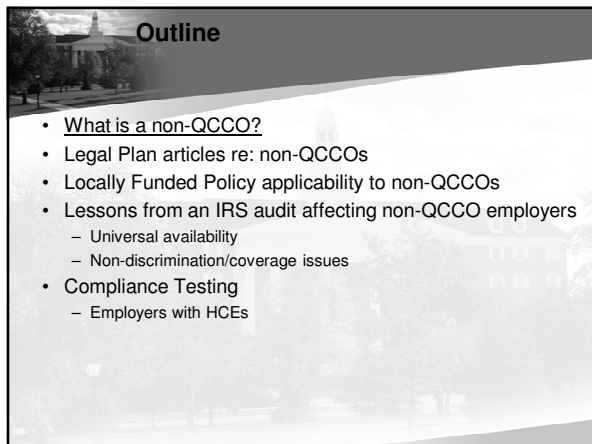
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### Outline

- What is a non-QCCO?
- Legal Plan articles re: non-QCCOs
- Locally Funded Policy applicability to non-QCCOs
- Lessons from an IRS audit affecting non-QCCO employers
  - Universal availability
  - Non-discrimination/coverage issues
- Compliance Testing
  - Employers with HCEs

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### What is a non-QCCO?

- What does it stand for?
  - Non-qualified church-controlled organization
- IRS term
- Often defined by what it is NOT
- ARP Legal Plan 8.05(g) defines non-QCCO
  - "Non-QCCO or Nonqualified Church-Controlled Organization shall mean a church-controlled tax-exempt organization that is neither a 'church' within the meaning of Code section 3121(w)(3)(A) nor a 'qualified church-controlled organization' within the meaning of Code section 3121(w)(3)(B)."

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### Non-QCCO Characteristics

- Church-controlled organization
  - But not "qualified"
- Offers goods, services, or facilities for sale to the general public
  - At more than "nominal charge" and more than the cost of those goods, services, or facilities
- Receives more than 25% of support from
  - Governmental sources
  - Receipts from admissions (i.e. tuition and fees)
  - Sales of merchandise
  - Performance of services, etc

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### Two types of entities within Plan

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graph TD; QCCO[QCCO] --- U[Unions]; QCCO --- C[Conferences]; QCCO --- A[Academies]; QCCO --- PH[Publishing Houses]; Non-QCCO[Non-QCCO] --- CU[Colleges/Universities]; Non-QCCO --- MC[Medical Clinics];
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**Legal Plan Articles re non-QCCOs**

- Article II - Definitions
  - 2.18 – Employee
    - Student Employees
    - Adjunct professors
  - 2.24 – Highly compensated employee
  - 2.33 – Non-highly compensated employee
- Article VIII – Non-qualified church-controlled organizations
  - 8.01 – Non-qualified church controlled organizations
  - 8.02 – Establishment of plan
  - 8.03 – Multiple vendor requirements
  - 8.04 – Non-discrimination requirements
  - 8.05 – Definitions

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**“Ineligible” employees for employer basic or match**

- less than 20 years of age (3.01(a))
- interdivision employee based in the US who has elected to participate in separate retirement plan (3.01(a)(5))
- Student employed by participating employer OTHER THAN educational institution or industry and NOT MEETING other eligibility requirements such as at least 20 years of age

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**“Not employees” of plan and not eligible for basic or match (2.18(c))**

- Non-resident alien
  - Other than individual who is also an IDE
- Employee of Canadian or Bermudian employer
- Employee participating in “alternate plan”
- Employee on graduate study leave
- Adjunct professor
  - unless documentation states eligibility
- Employee of regional conference
- Temporary employee (5 months or less)
- “Student labor” at educational institution

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**2.24 – Highly Compensated Employee**

- Abbreviation is HCE
- Received compensation in excess of HCE limit for prior year
  - For example, for 2011 testing, the Plan looks to 2010 compensation received by employees from non-QCCO entities
- HCE Compensation Limits set annually by IRS
  - 2009 - \$105,000
  - 2010 - \$110,000
  - 2011 - \$110,000
  - 2012 - \$115,000

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**8.03 Multiple Vendor Requirements - 1**

- 8.03(a) – Consistency between Plan and vendor contracts; supremacy of Plan
- 8.03(b) – non-QCCO employer responsible for administering “plan” (alternate vendors) and coordinating compliance between all vendors
- 8.03(c) – employer responsible for maintaining list of all current and former retirement vendors and sharing information as required by regulations
- 8.03(d) – employer responsible for ensuring vendor contracts include information-sharing agreement

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**8.03 Multiple Vendor Requirements - 2**

- 8.03(d) – employer responsible for ensuring vendor contracts include information-sharing agreement to share the following
  - Severance from employment
  - Hardship withdrawal (for six-month suspension of elective deferrals)
  - Other retirement investments (for hardship qualification)
  - Other plan loans (for loan limit review)
  - After-tax employee contributions (re distribution includible in income)
  - Roth contributions (re qualified distribution)
- 8.03(e) – Investment changes and contract exchanges

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**8.04 Non-discrimination Requirements**

- 8.04(a) – Provide required notice to enter into Salary Reduction Agreement
- 8.04(b) – Non-discrimination testing requirements for entities with HCEs

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**2011 Locally Funded Policy**

- Applies to all participating employers in the ARP, including non-QCCOs
- Deadline for voting resolution is July 1, 2012
- Deadline for full implementation of selected retirement benefit option is December 31, 2013
- Refer to Locally Funded Webinar on website
  - [www.adventistretirement.org](http://www.adventistretirement.org) , HR Personnel, Webinar Materials, Locally Funded Webinar

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**Lessons from an IRS audit**

- Affecting all employers
  - 15-years-of-service catch-up required documentation
  - Ordering elective deferral catch-up limits
  - Employees working for more than one employer
- Affecting employers with multiple vendors
  - Basic elective deferral limit
- Affecting non-QCCO employers
  - Universal availability
  - Non-discrimination/coverage issues

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### Universal Availability

- IRS general rule
- IRS allowed excludable employee groups
- Adventist Retirement Plan provisions – no exclusions
- Required notice to eligible employees

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### Universal Availability – General Rule

- IRS Code requires non-QCCOs to allow employees to make salary reduction contributions, with just a few exclusions

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### Universal Availability - Exclusions

- The IRS allows exclusion of the following employee categories from “universal availability”
  - Non-resident aliens
  - Student employees
  - Employees eligible under another 403(b), 401(k) or 457(b) plan
  - Employees who normally work fewer than 20 hours/week, defined under the IRS’ “1,000-hour/year” rule
- NAD Plan, however, does not exclude ANY employees from making personal contributions to the Plan
- Accordingly, non-QCCOs need to ensure that they are not excluding any employees from making personal contributions

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**Universal Availability – Required Notice**

- NOTICE of right to contribute is REQUIRED
- Frequency of communication
- Notice to start, change, or stop contributions
  - At hire
  - Annually or upon re-hire
  - Students: beginning of quarter or semester
- Method of communication
- Documenting communication
  - Text, method, distribution list, date sent
- Retaining documentation

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**410(b) Coverage Rules**

- Testing to ensure coverage is not discriminatory
- Testing is required if entity has at least one HCE
- HCE organization = had at least one employee exceeding the IRS-defined HCE limit for the previous year
  - For 2011 testing, HCE organizations will include those who had an employee with compensation exceeding \$110,000 in 2010
- Plan will communicate with HCE organizations in 4<sup>th</sup> quarter of year and will remind of additional reporting requirements for that year

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### 401(a)(4) Nondiscrimination Rules

- Prohibit discrimination in favor of HCEs with respect to employer contributions or benefits
- Example:
  - If multiple vendor environment, right to make employer contributions to each vendor must be provided on a nondiscriminatory basis
- Reminders:
  - employer basic and match are required to be remitted to the ARP and not to an alternate vendor
  - additional employer contributions to an alternate vendor are prohibited by NAD Policy
- Testing population is covered employees

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### Additional reporting required of HCE organizations

- Census File Requirements
  - Not just employees making/receiving contributions
  - Also employees ELIGIBLE to make PERSONAL contributions
    - Adjunct professors
    - Temporary employees
    - Employees away on leave of absence ("I" status code; graduate study or seminary)
    - NOT students, unless EMPLOYER made contributions to even one student employee (since this is PROHIBITED by the Plan, this is unlikely)
  - Also all members of a permissibly excluded group IF employer has made EMPLOYER contributions to even one member of that group
  - Report SSNs and Federal Taxable Wages in census file

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**Misc**

- Form 5500 is not required for church plans since they are not governed by ERISA
- 15-year catch-up contribution will likely be eliminated from the Plan for 2012 (see Fall 2011 Webinar for details)
- non-QCCOs with HCEs for 2011 testing will be notified via email within the next few weeks

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**Question & Answer Session**

- Please type questions into the "question" box on your gotowebsinar screen
- We will not be using the "raise hand" feature for this webinar

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*• Thanks for joining us today*

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