

USA RETIREMENT 401(K) RETIREMENT PLAN PROCESS BY DATAPATH

By

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A thesis submitted to the Department of Graduate Management School in partial
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Masters of Business Administration

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Declaration

It is hereby declared that,

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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Letter of Transmittal

17th March, 2024

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Subject: Submission of Intern report on “**USA Retirement 401(k) Retirement Plan Process by DataPath**”

Assalamualaikum Madam,

With due respect, I would like to express that it gives me great pleasure to offer the report on "USA Retirement 401(k) Retirement Plan Process by DataPath" of BUS699, which was assigned to me as a partial requirement for the Master of Business Administration competition. Through the internship program, I can work in the corporate field. It assists me in becoming more quick, hardworking, and skilled. In addition, I make every effort to complete the Intern Report in an effective and relevant manner.

I am grateful for your assistance and useful advice. I would appreciate it if you could read the report and evaluate my performance.

Sincerely

Saidul Islam Reyad

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Non-Disclosure Agreement

The Internship Affiliation Report entitled “**USA Retirement 401(k) Retirement Plan Process by DataPath**”. is prepared by Saidul Islam Reyad for the degree of Brac Business School, Major in Finance & Human Resource Management. The report has been accepted and will be presented to the Internship Defense Committee for evaluation.

(Any opinions, suggestions made in this report are entirely those of the author of the report. The University does not condone nor reject any of these opinions or suggestions).

Zubair Ahmed

Team Leader

Datapath

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It is quite challenging to complete such research without the assistance of others. I had to observe the entire USA retirement 401k industry from the beginning of preparing this study. My Team Leader Zubair Ahmed and his brilliant and cooperative team assisted me in various ways to create this study. I could not have completed my report without their assistance and pleasant behavior.

Executive Summary

This research discusses the process of the USA 401(k) pension program, as well as the function performed by Datapath, a local firm that supports and facilitates the administration of these programs. Datapath is a Bangladesh-based outsourcing Company. Datapath is a BPO firm that works for a USA-based Mother firm that has many TPA entities, of which we are one. It created a "retirement plan" and performed all the required computations and records for the retirement plan. Datapath creates 401k plans for its clients following the rules and regulation of (Internal Revenue Service IRS) which is a governing revenue body of USA. Retirement plan allows an employee to make a saving from salary and invest it stock, assets, or any financial market with tax free with that amount. Furthermore, the plan's investment gains are tax-deferred, allowing assets to increase over the years without facing immediate tax liabilities. This study discussed all the process of plan processing, SWOT analysis, and concluded with Challenges, Recommendation, and conclusions.

Chapter-1: Introduction

Background

The internship program has a significant impact for every student who wants to gain real-world work experience while earning a higher education. This program provides an open chance for all students to gain real-world corporate experience. Internships in the business school assist students in demonstrating abilities and capacities from their administrative experience, allowing them to prove they have the potential and acknowledge competent, individual, and relational practices in their life. We can relate academic education and practical world field. Furthermore, this curriculum provides students with the opportunity to become acquainted with the realities of corporate life. The intern report I make about “**USA Retirement 401(k) Retirement Plan Process by DataPath**” is based on my 4 months intern period which was 15th May to 15th September. I saw the intern circular on OCSAR website and applied. After 2 steps interview, I got the internship chances and after team allocation my team leader selected me for plan valuation process.

Research Methodology

Most of the data has been collected from primary sources which is working place. Working process, self-experience is the primary source of data. Some data and analysis are done from taking online data as well.

Objective of the Report

Primary Objective:

The primary objective of this report is to represent the 401k Plan Process done by Datapath. They must follow USA rules and regulations to complete the plan process. Everything in detail will be discussed in this report.

Secondary Objective:

My secondary goal is to share what I've learned during my internship. I became aware of the retirement benefit. How an employee can benefit financially from joining a retirement plan. Employees who are hired cannot automatically become members of a retirement plan. They must adhere to certain company specifications. The goal was to learn and focus on my career.

Limitations

Following limitation has found while making the report.

- Datapath works with employee sensitive information like SSN (Social Security Number). So, it cannot reveal any part of the report. Moreover, employee salary and compensations are also sensitive.
- Another limitation is revealing Mother company name is restricted.
- Disclosing Team name is also restricted by authority because team name is client name.
- Cannot show any screen shot or images of the plan processes data just can discuss theoretically.
- Secondary data sources are very limited.

Chapter 2: Organization Overview

Data Path Ltd. is a privately owned Outsourcing company that was created in 2008 by Mr. Ashfaqur Rahman, the company's CEO and Managing Director (Datapath, n.d.). Data Path is committed to preserving traditional principles such as professionalism and ethics while also incorporating creativity and innovation via the use of new technical breakthroughs. Data Path engages with clients to help them become high-performance enterprises by combining outstanding experience, comprehensive skills across all industries and business activities, and substantial research on successful companies (Datapath, n.d.).

Datapath has 2 types of service department.

1. Outsourcing
2. Software Development

The starting journey was in 2005. According to USA law a company retirement plan should be planned by a third party. A company cannot make their retirement plan for their own. It will be expensive. So, they decided to do outsourcing with lower cost and trusted company. USA mother company first thought that this would be very difficult for them, and the small team will not be able to do this. But the small team impressed them. Then Mother company of USA start to allocate task relay on them. Datapath is also valuing their trust sensitively. DP started with a small team of 15 to 30 people but today they have more than 200 employee, 2 BPO. One office is in the Mohakhali and BPO 2 is in Basundhara. With the little steps the organization toward its mission and vision.

Mission

Datapath's aim is to provide best and committed service with a professional manner maintaining deadline. No matter what, they submit client's task 100% accurately with the top-notch service quality.

Organization Structure

Each Department follows its own structure. I was working in the Outsourcing Department in the BPO team. So, their organization organogram structure is

1. Chairman
2. Director
3. General Manager
4. Assistant General Manager
5. Senior Manger
6. Manager
7. Senior Team Leader
8. Team Leader
9. Assistant Team Leader
10. Senior Executive
11. Executive
12. Trainee Executive
13. Intern

Service Portfolio

Datapath provides the following services for their mother company.

1. Plan Selection and Management
2. Plan Design and Documentation
3. Plan Administration and Record Keeping
4. Annual Compliance Testing
5. Plan Valuation
6. Government Filing (Form 5500)
7. Record Keeping
8. Consulting Services
9. Distribution
10. Payroll

I was in the plan valuation team. My responsibility was doing plan valuation and will make this report on my task.

Organizational Culture

While every employee works collaboratively to achieve the organization's goals, organizational culture is extremely fundamental. A healthy and adaptable culture allows employees to be more effective at work while also expressing their full potential. I found Datapath's culture to be quite welcoming. There is no culture of sir-madam calling. Senior and junior have a friendly and respectful relationship. My team leader is a more caring leader. He is continuously worried for the team members of his team. I am fortunate to have such a compassionate Team leader.

Chapter 3 Literature Review

When an employee retires from the job after a certain age as a senior citizen, retirement plan benefits become vital for the rest of life. At the age of 65 or after the age most people lose their hard-working ability. At that time, they heavily relied on their pension fund. A well-regulated Pension industry can make secure or better retirement benefit for people after retirement. USA 401(K) Retirement industry is an example. In the USA, contributing a certain amount from the gross wages is not mandatory. So, participants or employees have options to make contribution for their retirement plan benefit and some organizations give also contribution based on employee contribution. The USA government highly regulated this industry by Internal Revenue Service (IRS), US Department of Labor (DOL), Employee Retirement Income Security Act of 1974 (ERISA).

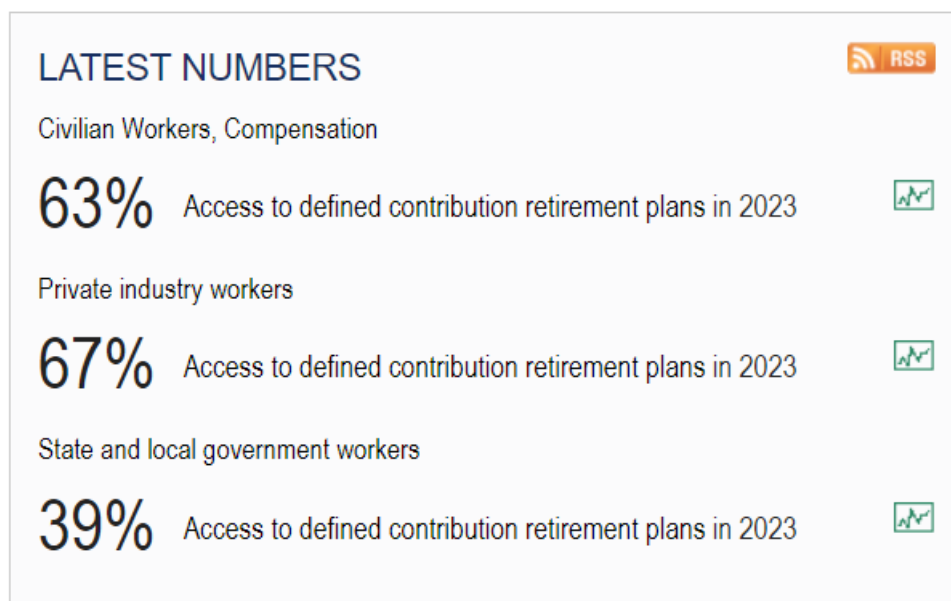
To encourage employees more for retirement plans, the USA government rules for the organization for match contributions. World Bank publishes, in 2006, Retirement Confidence survey implies that, while 70% employees are participating in the 401k plan without employer match meanwhile it reached 87% with employer match (Hinz, Holzmann, Tuesta, & Takayama, 2012).

The 401(K)-retirement plan's one of the important parts is Trust. Expertise founds, Trust is a complete idea of 401(K) saving plan in the term of automatic and willingly contribution (Agnew, Szykman, Utkus, & Young, 2007). The study found psychological motivation that

increases employee saving tendency which was not possible for alone. Government retirement friendly rules that organization will also contribute if employees contribute influences more to the employees to contribute.

In 1900's Government sector employees facilitate a well-planned retirement plan benefit meanwhile private sector employees received some defined benefit but not much retirement contribution. But in the 2000s the scenario changes significantly. According to the [National Compensation Survey](#) Benefits Data, "In the private sector defined plan benefit decreased to 20% in contrast, employee participation has increased to 43% in the retirement contribution" (National Compensation Survey: Employee Benefits in Private Industry in the United States, 2006).

US Bureau of Labor Statistics published that in the 2023, private sector people are statically increasing in the defined contribution.



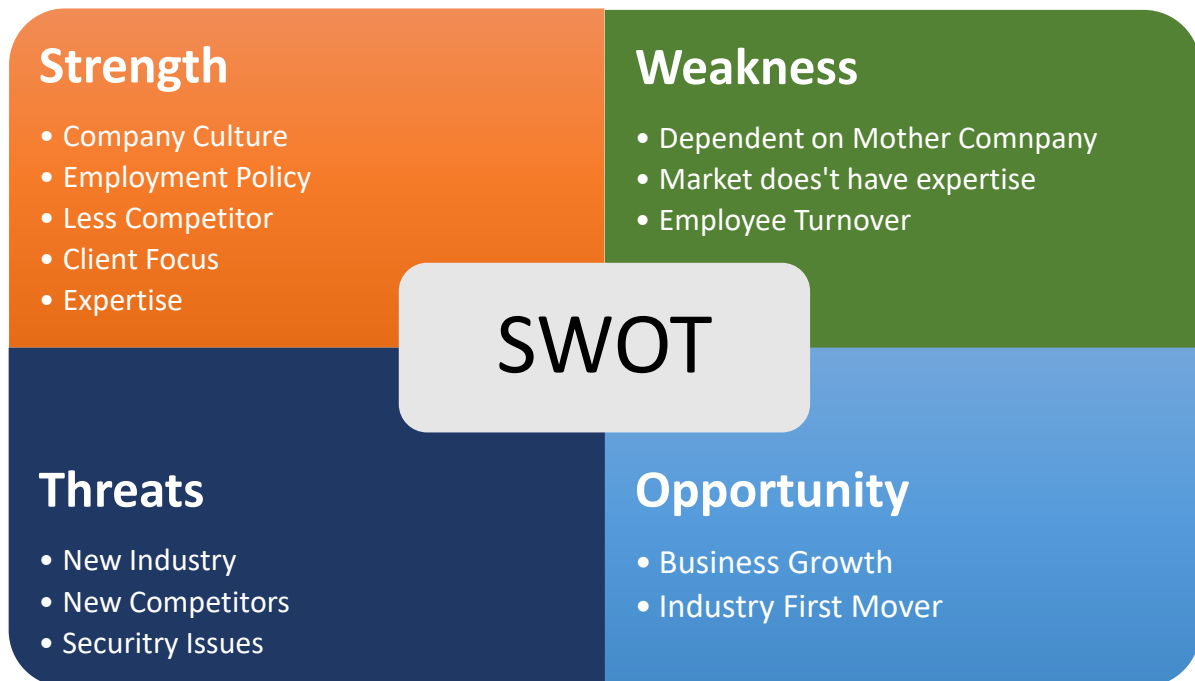
[Private sector employee's are more encourage than public sector](#)

USA 401(K) retirement plan program is strictly regulated by the government and its authority. Employees are getting more encouraged and reliable on the retirement contribution because at the end of their retirement they get benefit. To ensure a plan's benefit there are certain rules and processes. The project will discuss this plan process.

Chapter 4: Project - Plan Process

SWOT Analysis

The SWOT analysis is based on intern period observation and information.



Strength:

- **Company Culture:** Company culture is one of the main strengths of Data-path. They have a good working and helpful environment. One team helps another team if they face problems. They believe in friendly environment rather than calling sir, madam culture and corporate environment. So employees can share their problems easily and can be solved quickly as well.
- **Employment Policy:** Datapath employment policy very employee friendly than any other company in Bangladesh. They offer a good starting salary, lunch, transport facility and snacks. Providing lunch and transport to employees is such a good policy while many companies do not offer this. Another good policy is they do not terminate employees willingly until they do not perform to a minimum level and do any major issues which

is unacceptable. They select employees by observing whether respect everyone or not, manners, behavioral issues along with performance. They give 2 days holiday in week.

- **Less Competitor:** In the 401K industry they only one computer in Bangladesh so far. So, they don't need to compete with many competitors and the market does not influence much their operation.
- **Client Focus:** Data-path always focuses on client satisfaction. They do exactly what the client provides instructions. Even if a plan is completed and clients update any information immediately, they update or redo the plan process. They do not compromise with the client's instruction and satisfaction.
- **Expertise:** They have expert people who do tremendous performance. Some plan valuation is so tough that without experts it cannot be solved. They have that expert though outside organization they will not get related field experience manpower. They make their employees expert by allocating different types of plans.

Weakness:

- **Dependent on Mother Company:** Datapath's all client is given by its mother company. It's a Weakness for Datapath if their mother company decides to choose another company. Datapath needs to find an alter as a mother company or diversify risk finding another company.
- **Market doesn't have expertise:** Datapath is the first company in Bangladesh in the 401K industry. On the other hand, their competitor is also new. So, they will not find any expertise in the market. They have to make their own expertise for their operation. So, it's time consuming and may affect operations also.
- **Employee Turnover:** Datapath's employee turnover ratio is high. Because the industry is new and there are not many competitors into the market only one company exists. But this is a growing industry. South Asia is one of the best choices for the USA 401k industry because of the less cost. India already has many companies in 401K industry and there is high chance more company will come in Bangladesh as well. Then competitors will increase, new industry will get a shape and employee turnover will decrease.

Opportunity:

- **Business Growth:** Datapath has a nice business growth opportunity. Already they have opened their BPO-2. They have been in the market from early. They have enough experienced manpower and skills. So. If any USA company do outsource in Bangladesh, they will get advantage as first market mover and expertise. So there is a great chance for business growth.
- **Industry First Mover:** Earlier discussed, as industry first mover they have some advantages. They have their own trained skill manpower, experienced to handle retirement plan, well trained teams, friendly environment that will attract new possible clients easily.

Threats:

- **New Industry:** As a new industry Datapath has some threats or challenges. They need to train employees from the beginning. If the industry has other companies they might recruit from the marketplace, which might save their time.
- **Security Issues:** Clients sensitive information like SSN, Birth, Hire Date, Compensation, Company information provided by clients. Datapath have to maintain high security of client's information. If it hacks or leaks it will be trouble for the company and clients as well.

An employee cannot join the plan simply by joining the company. The Internal Revenue Service (IRS) establishes requirements that employees must fulfill. However, not all companies' retirement plan enrollment minimum requirements are the same. The standard is that one employee be at least 21 years old, have worked in the company for at least 12 months, and have worked at least 1000 hours. It is not required that organizations build their plans on this. They have the option of personalizing their strategy. Before we go into the plan and process appraisal, there are a few key concepts to understand. The essential topics of the plan procedure are deferral, Roth, Safe Harbor Match, vested, employee (EE) contribution, employer (ER) contribution, and profit sharing.

Key Topics

Deferral: A deferral contribution is the portion of an employee's pay that they choose to contribute to savings for a retirement plan (Henricks, 2023). In other word, Deferred amount is the certain amount of the salary which employee save from current salary for the future. They got tax benefit here from their salary. When they withdraw their retirement fund amount together then they will pay tax. According to Internal Revenue Service (IRS), In 2023, an employee can do maximum 22500\$ deferrals (IRS, IRS, n.d.). This may change year to year based on the USA authority calculated living cost.

Roth: Deferral and Roth are nearly the same. The main distinction is that employees who defer pay taxes, whereas retirement funds withdraw. In the case of Roth, employees pay taxes on a deferred amount at the start and do not have to pay taxes when withdrawing retirement funds.

Safe Harbor Match: Employers provide greater compensation to employees who make Deferred or Roth contributions. Employers share a percentage of the Deferred and Roth contributions. It is fully vested, which means that an employee can withdraw it at any time. If an employee is eligible for plan participation, there are no rules for withdrawing money. That is why it is referred to as Safe Harbor.

Safe Harbor contribution can be made in 3 ways and one special Safe Harbor is Qualified Automatic Enrollment Arrangement (QACA).

1. **Basic Match:** Employer must provide 100% match of employee total contribution for first 3 %. For the next 2 % contribution employer provides 50% match till 5% contribution. If an employee defers more than 5 % will get match only 4% match against their allocated compensation. An employee must be eligible to the plan for contribution in Defer or Roth and if an employee or participant does contribution from their compensation then they will get Safe Harbor match from the employer.

For Example: An employee's annual salary or compensation is \$ 50,000.

Scenario 1: The employee or participant decided not to contribute in 401(K). So, this participant will not get any Safe Harbor Basic Match.

Scenario 2: This participant contributes 401(k) \$1000. First, we need to calculate the percentage of contribution of his salary. This participant contributes

$(1,000/50,000) = 0.02$ or 2%. According to rules, his contribution is less than 3% and he will get 100% (\$1000) Safe Harbor match from the employer.

Scenario 3: If the participant contributes \$2000 then his contribution is $(2,000/50,000) = 0.04$ or 4% which is more than 3% and less than 5%. So, his Safe Harbor contribution will be $(50,000 * 0.03) = \{ 1500 + (2000 - 1500) * 50\% \} = \1750 .

Scenario 4: He decided to contribute in 401(k) plan \$5000. His contribution is 10%, which is more than 5%. As Safe Harbor rules the participant will get 4% match on his annual salary and the matching amount is $(50,000 * 0.04) = \$2,000$.

2. **Non-Elective Match:** The employer must compensate 100% of an eligible employee's contributions up to 3% of pay and 50% of contributions over 3% but less than 5%. (Royal, 2023).
3. **Enhanced Match:** Employers have the option to give a match up to 6% of the eligible salary.
4. **Qualified Automatic Enrollment Arrangement (QACA):** QACA is automatic contribution method of Safe Harbor which passed ADP/ACP test as other Safe harbors do. The safe harbor is a schedule of standard required default automatic contribution amounts that begin at 3% and gradually increase each year an employee join. Employees must be fully vested in their employer's matching as well as nonelective benefits after two years of employment (IRS, n.d.). According to IRS for QACA, Employers must match employee contributions up to 1% of compensation, with a 50% match for contributions above 1% along with up to 6% of compensation (IRS, n.d.). Employerssvely, employers can make a nonelective contribution equal to 3% of compensation for every participant, including the employees who do not contribute (IRS, n.d.).

Vested: Vesting occurs when an employee meets the conditions for owning a particular amount or a certain percentage of the retirement savings plan (What is a vesting schedule?, 2022). Vested balance can be 2 types. One is employer match and other one is employee match. Employee match is always 100% vested but employer match might be certain time condition for full vesting. For Cliff vesting there are 3 to 6 years cliff vesting which means for 3 years cliff employee must complete 3 years, for 6 years cliff vesting after 6 years employee will get

100% right to withdraw employers' contribution. If in between an employee leaves the job will not get any contribution (IRS, Retirement Topics - Vesting, 2023).

Cliff Vesting		Graded Vesting	
Years of Service	% Vested	Years of Service	% Vested
1	0%	1	0%
2	0%	2	20%
3	100%	3	40%
		4	60%
		5	80%
		6	100%

Vesting Schedule [Source: <https://www.oatleydiak.com/post/2016/10/21/your-plans-vesting-schedule-tailor-it-to-meet-your-needs>]

On the other hand, Graded vesting gradually vested percentage. For example: If there is 6 years vesting 1st year vesting will be 0%, 2nd year vesting will be 20%, 3rd year will be 40% and at the end of the 6th year it will be 100%. So, if an employee leaves their job in the 4th year will be able to withdraw 60% of employer match (IRS, Retirement Topics - Vesting, 2023).

Employee Contribution: Defer, Roth is mainly employee contribution. The amount an employee contributes from their salary is called Employee contribution. But there are rules from Internal Revenue Services (IRS) about contribution. Because who have a high salary can compensate more than the others. So according to law in 2022, compensation max limit is 305,000\$ and in 2023 the limit is 330,000\$ (Calhoun, 2022). Based on the annual compensation limit Safe Harbor calculate. The amount of compensation limit is changeable year to year and IRS update it depending on USA economic condition.

Employer Contribution: The amount employer provides to employee is called contribution. Profit sharing, Safe Harbor, and Employer match are the main employer contributions.

Plan Process

Email

Essentially, the entire process begins with the client's email. The client provided us with detailed instructions. Then we begin our strategy. And we have a record where all tasks are assigned to team members based on which **plan** they will complete.

Plan process or plan valuation is the main task which was my responsibility, and my report will be on this. This is the process of retirement planning:

Plan Document

The Plan Document is the document in which the company specifies its prerequisites for entering the plan. Plan denotes that there are specific requirements that an employee must meet to gain access to the company's retirement plan benefit.

As an example: An employee must be 21 years old, have 12 months of service, and work 1000 hours year. If an employee meets this condition, they will be entered into the plan; otherwise, they have to wait until the next plan year to enter by meeting the requirements.

This is a standard entry requirement. But some plans allow immediate entry means they are allowed to enter the plan after hiring. On the other hand, some plan minimum age requirements are 18 years, some company does not need to fulfill 1000 hours but need to meet other requirements according to plan document.

Retirement age is also mentioned in the plan document. Usually, normal retirement age is 65 years, but some organizations can do modified retirement.

Employer match, Safe Harbor match, a participant may or may not take a loan against their contribution, as specified in the plan documents. Name of the plan, Plan number, and contact information Condition of Profit Allocation, How the retirement plan will perform, what type of contribution employee will receive, and everything specified in the plan document, we complete further process for the plan valuation.

Census

This is called the heart of a plan valuation process. Because full plan valuation depends on census check. The main purpose of census checking is to find and enter eligible employees for the retirement plan benefits. Census is very sensitive because employees and employer confidential information like Social Security Number (SSN), employee birth date, salary address here. So, clients are always concerned about maintaining the privacy of their

confidential data. We first do a preliminary analysis with previous year’s export census and current year Data Request Packet (DRP). Current active employees are listed in DRP file. If any data is missing which was in the previous year, we do adjust in the DRP file. Because we need to import it into ASC software. Sometimes clients forget to provide hours and compensation. We use dummy data to import the software. Converting the DRP file into CSV we import to the ASC software. After importing the file, we run employe eligibility. Then the export file of current year downloaded. Previous year Census, current year census and Client give census (DRP) these 3 files compared to find the mismatch or missing in current year export file. If anything is missing, we send a note to client which is called DP Notes. Once DP notes send to client the plan goes to “Hold”. To further proceed with the plan, we wait for clients’ reply. If there are no issues with the census, all information is correct and provided then we can finish a plan by completing the next processes.

Record Keeper (RK)

For each company whose follows 401(k) plan benefit for employees they need to upload employee’s contribution files in a certain third-party website. Each of them is called Record Keeper. **For Example:** A company has 50 employees, and the company allows 401(k) plan. Some of them contributes and some may not. All information needs to be updated in a RK. Company can choose RK and even they can change RK if they want.

USA most used RK’s are Jhon Hancock, Nationwide, Transamerica, American Funds -RKD, American Funds Plan Premier, Principal and for brokerage plan Charles Schwab etc.

The screenshot shows the Transamerica website. At the top left is the Transamerica logo. Below it is a large banner with the text "WELCOME TO TA-RETIREMENT" over a mountain landscape. To the right of the banner is a "Log in" section with fields for "Username" and "Password", and a red "LOG IN" button. Below the login section is a red box with the text "IMPORTANT: Clear your cache to take full advantage of the new look and feel of Ta-Retirement." followed by a paragraph of text and a link to "Plan Participants: Please access your account at transamerica.com." Below that are three links: "FOR EMPLOYERS", "FOR FINANCIAL PROFESSIONALS", and "FOR THIRD PARTY ADMINISTRATORS".

[Transamerica Website](#)

The screenshot shows the American Funds website. At the top left is the Capital Group logo. Below it is a banner with the text "Prepare for retirement – even on a tight budget." and a sub-headline "These six tips can help you save in times of uncertainty." To the right of the banner is a "Participant Login" form with fields for "Username" and "Password", a "Login help?" link, a blue "SIGN IN" button, and a green "REGISTER" button. Below the banner are three columns of content, each with a small image and a headline: "Is it too late to put money away for my future?", "Too busy to save for retirement?", and "Feeling emotional about your investments?".

[American Funds-RKD](#)

Assets

For each company's Plan valuation there is an Asset Folder. This is not the usual short, long-term assets for the company. Here asset means the contribution employees make for the year, it's uploaded in a Record keeping Websites. Payroll information, Contributions, Deposit In Transit (DIT), Fees and any other file related to plan valuation are the parts of the Assets.

Trust Summary

Trust Summary is the 2nd important thing for a plan valuation. To find out the differences between Census and Recordkeeper (RK) recorded amount is the main purpose of Trust Summary. Participants year beginning and ending balances, forfeiture, loan balance, employer and employee contributions do match here. If there is any mismatch, over or underfunded, we follow the next steps.

Trust Summary has 4 parts.

- 1. Contribution Mismatch:** Difference of Defer, Roth, Profit Sharing, Employer Match, Safe Harbor between census and RK(Recordkeeper) calculate here for the present year. If there is any DIT (Deposit In Transit) that also calculate here. DIT means if any previous year payroll pays in the next year then we adjust in the contribution mismatch. If there are any discrepancies it carries forward with Contribution Receivable for the next year as underfunded or overfunded for adjusting.
- 2. Contribution Receivable:** It carries forward previous years' mismatches and added current year mismatches if there are any.
- 3. Overfund and Underfund:** After contribution receivable, the summation of previous and current year contribution summary is made on the worksheet.
- 4. Investment Instruction:** This is just an instruction to the owner about being overfunded or underfunded or transferring a certain amount from one account to another account.

ASC Software

ASC is the retirement plan processing software and one of the software Data-path uses for plan process. In the USA it's one of the most used software for retirement plan process. When we do a preliminary analysis then import the Data Request Pack (DRP) given by the client. Basically, we do edit on separate worksheets to edit the DRP file. Then it's converted into a CSV file to import to ASC software, run eligibility into software. Profit sharing, keeping records, Name,

SSN, Hire, Termination Date, Top Heavy Test, ACP, ADP testing, Compliance test etc. are the main purpose of ASC software. It's a little bit tricky and sensitive software because employees confidential and important information are used here.

Compliance Testing

Compliance testing's main purpose is to find the difference between Highly Compensated Employee (HCE) vs Non-Highly Compensated Employee (NHCE) and reduce the discrimination.

HCE and NHCE: According to Internal Revenue Service (IRS) **HCE** employees have to follow the following criteria.

1. **Compensated HCE:** According to 2023 plan year, prior year compensation would be \$135,000 and remains top 20% of company's pay (Editors, 2023).
2. **Ownership:** If any employee owns more than 5% ownership either directly or family attribution will be considered as HCE employee.

Except HCE all other employees are **NHCE** employees.

KEY and Non-Key Employees: For compliance testing another important subject is **Key** and **Non-Key** employees. Key employees have 3 following criteria.

1. **5% Ownership:** If any employee has a minimum of ownership of 5% of the company either by stock or family attribution. This is same as HCE ownerships condition.
2. **1% Ownership:** If any employee has less than 5% ownership but more than 1% and compensation is minimum \$150,000 then a participant will consider as Key employee. It is noted that \$150,000 is non-indexed.
3. **Officer:** Except ownership an officer annual gross compensation is more than \$215,000 will be considered as key employee.

Non-Key employees are not the key employees.

ACP/ADP Test: Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) are major tests for Compliance testing.

ADP compared the typical 401(k) plan deferral rates for HCEs and non-HCEs. Its goal is to compute the annual contribution rates for HCE and NHCE in order to assess deferral rates.

In terms of HCEs and NHCEs, ACP measures the average employer contributions. Both employer contributions and after-tax contributions are used in the calculations.

If ADP/ACP tested for contribution between HCE and NHCE then according to following table HCE got contributions. For the non-safe harbor plan ADP/ACP test need to test. But if the plan is safe harbor, then ADP/ACP test is deemed to pass.

NHCE ADP		HCE ADP
2% or less	→	NHCE% x 2
2-8%	→	NHCE% + 2
more than 8%	→	NHCE% x 1.25

HCE contributions

Top Heavy: It is the test between key and non-key employees holding total plan assets. When key employees hold more than 60% of total plan assets then we called the plan is Top Heavy. Employer payments to NHCEs must be increased or 401(k) plan contributions must be returned to HCEs to correct the imbalance if the plan failed the ADP and ACP tests.

Tax Compliance:

When Datapath submit governance from (Form-5500) They have to do additional copy for tax governance file submission.

Form 5330 For Lost Earning, Form 5500 SF copy, Form 5888 extension deadline are the tax compliance reporting requirements.

File Working for Review:

All the files work for the plan valuation are kept in this folder. Trust Summary, Edited PBC, Compliance report.

Submission

Datapath Submit Form 5500 to government website. When final review is done, all issues are solved, regarding all works completed then all the reports such as top-heavy testing, ADP, ACP, Plan Doc Summary, Trust Summary, Census report, Government file and all related files combine in a pdf format in Report folder. First it keeps into Local Folder then copy into our DP Share. At the end, we log into the client server and keep the completed files.

Recommendation: Project - Plan Process

We have several teams in Datapath and working for several clients. Compared to other clients we have the second most workload among the whole team in Datapath. Depending on the client's requirement our working way matters. Depending on our team plan process I prefer the following recommendations in my opinion.

Plan process need to more automated: Macro in excel, ASC software different wizard can make plan process more efficient and time-consuming. Though team leader is working on it. But as early and as more automated way can find more time will save and more plan process can be done.

Increase Team Member: There are many plans in our team for valuation. So increasing team members might be a way to do plan valuation more effectively. Though it depends fully on the client's requirement.

Plan Allocation: When there is a deadline ahead, difficult plans can be allocated to seniors. Because their experience and knowledge will complete the plan more quickly than newbies.

Chapter 5: Findings

The findings about the organizations were positive. They maintain a positive atmosphere, professionalism with clients, and dependable service with quality work. They build a good reputation for their mother firm by service quality, cooperation, and a commitment to client happiness. Each team serves a variety of clients. They can help each other if they get stuck when working for clients because they have experience.

The laws and regulations that Datapath follows all are regulated by the United States government. The major feature of the American retirement industry is that the corporation continually works to decrease discrimination between highly compensated and low-wage employees. Employees are categorized as highly compensated or non-highly compensated under the ERISA (Employee Retirement Income Security Act). This retirement benefit policy also runs coverage checks to see if the plan covers all employees. The organization takes on nondiscrimination tests such as the ADP/ACP test, the top-heavy test, and others to make sure equal benefits between highly compensated and non-highly rewarded personnel. If the plan is top-heavy (the key employee owns more than 60% of the plan assets), the employer must make a 3% QNEC to each of the non-key employees to equalize the benefit. Several tests are used by the company to close the pay gap between highly compensated and non-highly compensated employees.

USA vs Bangladesh Retirement

The policies of retirement funds in Bangladesh and the United States are very different. The retirement industry in the United States is more disciplined, controlled, and planned. Companies in the United States offer 401k plans to their employees in order to protect and maintain them. Companies in the United States use 401k programs to provide extra benefits to their employees in order to remain competitive. A 401k plan is a type of retirement plan in which employees contribute and the company gives incentives like "Match" or "Profit Sharing" to help them increase their money. The payment from the employer will be utilized to make additional investments. The fund might be contributed alone or through a number of mutual funds. The US economy increases when more money is invested in the market. Employee and employer contributions also profit or lose money because of market investments. It is much more valuable compared to idle money since the future value of idle money may decrease over

time due to inflation. The Internal Revenue Service (IRS) monitors and establishes regulations for 401k plans.

In Bangladesh retirement plan is not well regulated and planned. Companies do not care about retirement plans of the employees except government sector. Some private companies.

Chapter 6: Challenges

In my intern journey I find some challenges for the organization. Those are discussed below according to my viewpoint.

Unknown Industry: Only a few people, perhaps 1%, know that there is a retirement industry in the United States and that several companies are attempting to develop it. However, this is a promising industry for Bangladesh. When employees joined, they faced many unfamiliar terms and works that they hadn't seen before in their academic or previous experience.

Few Competitors: Datapath has only one competitor. Competitor less market will not help to grow the industry. Less competitor may be good for the company. But if it is about growing new industry then more competitors required. The more companies will come to this industry the more industry will grow. So, it is expected that more companies will come to this industry.

Deadline Issue: Datapath have 2 crucial deadlines of March 15th and October 15th. Each and everyone got such busy that they don't get time to talk to each other. Some plans are back from the hold almost eleventh hour of the deadline. Employee get more puzzle with the previous and current plan. If authority try to arrange a meeting with the client and find a solution to reduce pressure for the deadline it will be more convenient.

High Turnover: One of the major challenges I found is their employee turnover ratio is high. Because of complexity of work, new industry, less competitor, slow carrier growth for not having competitive market people shift from here quickly. That's why their turnover ratio is high. But their employment policy is better than the other private sector. They have a good startup salary. If it increases more their turnover may reduce more.

Chapter 7: Conclusion

There are several outsourcing companies in Bangladesh. On the other hand, only a few outsourcing companies match Data-Path Ltd in terms of quality and sustainability. Data-Path is a Bangladesh-based organization that is controlled by their mother company from USA. They have several teams and team name is also according to client name. My team was divided into two parts one part is in the Distribution and the other is Plan Valuation. I worked in the full plan valuation where I have done census check, Trust Summary, Report Printing and compiling, Government form (Form 5500) submission, Lost Earnings. Datapath makes a good impression and proves them as a reliable organization to their mother company. From a small team to almost 200 employees, 2 BPO teams highlight their success so far.

While I was working, I noticed that we don't have any proper rules and regulations in our retirement plan. Meanwhile, the USA has a trillion dollars retirement industry we don't have proper guidelines for retirement benefit. Retirement fund is the last asset of an employee to live rest of the life after retiring from the job. USA companies inspire employees to do Defer or Roth from their salaries and employers contribute for plan participants. They are very serious about their employee's fund that sometimes employee don't withdraw small amount because of tax and fees burden. But companies must find each employee and clear their contributions. Their rules and regulations are much strict. But unfortunately, in Bangladesh, rarely we can find this. Very few companies have a retirement plan benefit.

As Datapath works on retirement plans, there might be a question about their own retirement plan. They have a proper retirement plan. They cut 6% from employee salary and give equal matches. After 2 years, employees will be eligible to withdraw the company's match hundred percent. If they leave before 2 years, they can take just their contribution.

At the end was a good journey in the Datapath. I have learned so many new things about a new industry, corporate culture, noticed differences between a developed country's and developing country's retirement plan. It is really unfortunate that we don't have any planned retirement plan authority meanwhile other countries outsourcing retirement benefits in our country.

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