


DC/Win Otherwise Excludable Employees

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Otherwise Excludable Employees

IRC §410(b)(4)(B) – allows the testing of a plan by disaggregating Otherwise Excludable Employees.

- Otherwise Excludable Employees are participants in the plan who have not satisfied the statutory entry requirements, but are participants in the plan.
- Statutory requirements are age 21 or one year of service.
- The plan may have adopted eligibility requirements that are more liberal than the statutory entry requirements.

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Otherwise Excludable Employees

- It is an elective option to use in testing these otherwise excludable separately - Why not use it if beneficial?
- Often allows for better test results by separately testing the employees that are considered Otherwise Excludable Employees.
- If using Otherwise Excludable Employees for testing purposes, must use for ***all*** tests !!

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Otherwise Excludable Employees

How to know when an Employee can be considered Otherwise Excludable:

- Substitute Age 21 and 12 months of service (with 1000 hours) for the eligibility requirements.
- Substitute 6 months from date satisfied statutory requirements not to exceed the first day of the next plan year.

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Statutory Entry versus Plan Entry

Plan entry dates may be used instead of statutory entry dates to determine Otherwise Excludable.

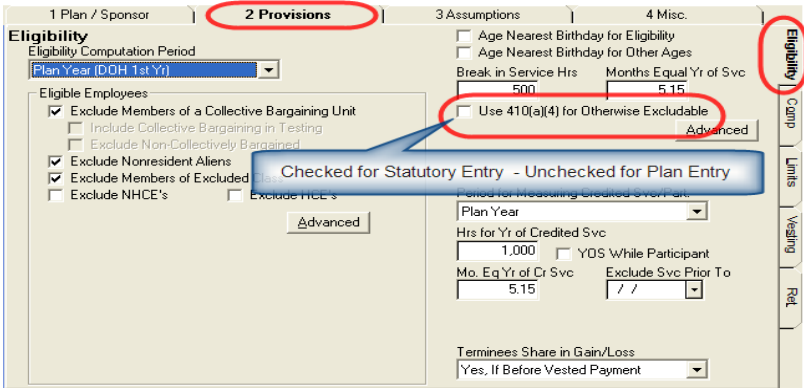
- Interpretation #1 – statutory entry assumes dual entry, but no later than first day of next plan year.
- Interpretation #2 – plan entry assumes the plan’s actual entry (monthly, quarterly, etc.)

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Statutory Entry versus Plan Entry

Plans | Provisions | Eligibility




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Statutory Entry versus Plan Entry

- Interpretation #1 – Statutory Entry
 - if box is checked, will use the statutory entry – which may be later than plan entry. (box checked)
- Interpretation #2 - Plan Entry
 - others interpret otherwise excludable to use the plan entry, not the statutory entry dates. (leave box unchecked)

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Identifying Employees considered Otherwise Excludable

Employees | Census | Browse

1 Census
2 Compensation
3 Sources
4 Accounts
5 Testing

Last Name	First Name	MI	Suffi	Sal	SSN	EE Nur	Sex	DOB	DDH	DOP	DDR	ERD	DOT	OE	ICE	Compensation	Hours/Wkld
Beach	Jarise				598-38-5120		F	09/05/1970	08/22/2003	01/01/2005	09/05/2035	09/05/2025				2,200.00	
Bluffton	Taylor				333-55-9830		M	03/18/1974	11/16/2001	01/01/2005	03/18/2039	03/18/2029	02/14/2008			2,200.00	
Jahr	Sally				111-32-2322		F	04/08/1958	01/03/2002	01/01/2005	04/08/2023	04/08/2013				104,000.00	
Johnston	Sally				111-38-1122		F	07/11/1960	03/01/2008	10/01/2008	07/11/2025	07/11/2015		X		26,000.00	
Johnston	Suzie				111-23-1155		F	08/16/1965	06/04/2008	01/01/2009	08/16/2031	08/16/2021				25,000.00	
Jones	Vicky				555-18-3333		F	09/18/1982	04/11/2008				12/02/2008			20,000.00	968
Kiley	Tom				111-23-3321		M	03/13/1970	02/15/2008	10/01/2008	03/13/2035	03/13/2025		X		14,000.00	
Kilpatrick	Mark				111-33-3215		M	04/22/1968	08/12/2008							22,000.00	
Lewis	Bob				333-45-9801		M	08/07/1968	04/13/2004	01/01/2005	08/07/2033	08/07/2023				110,000.00	
Mayweather	Eric				111-67-4040		M	07/08/1952	05/14/2007	01/01/2008	07/08/2017	01/01/2013		X		30,000.00	
Monroe	Michael				555-17-2333		M	03/13/1939	01/15/2008	10/01/2008	01/01/2013	01/01/2013		X		40,000.00	
Rawls	Bud				311-45-9856		M	08/07/1935	04/13/2004	01/01/2005	01/01/2010	01/01/2010				36,000.00	
Smith	Suzie				650-85-1080		F	12/03/1986	10/10/2003	01/01/2008	12/03/2051	12/03/2041				19,680.00	
Spears	John				555-18-9420		M	08/19/1962	07/03/2002	01/01/2005	08/19/2027	08/19/2017		X		32,000.00	
Watson	Molly				111-47-1244		F	04/17/1977	02/22/2008	10/01/2008	04/17/2042	04/17/2032		X	1	75,000.00	
Watson	Todd				111-58-3580		M	02/28/1981	09/14/2004	04/01/2005	02/28/2046	02/28/2036				156,000.00	
Wiggins	Sam				111-58-3880		M	10/16/1948	03/14/1992	01/01/2005	10/16/2013	01/01/2010			1	390,000.00	

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Identifying Employees considered Otherwise Excludable

Employee Summary Report (detail)

EMPLOYEE SUMMARY (detail)
DCWin Profit Sharing Plan and Trust
 For the plan year 1/1/2008 through 12/31/2008

	Status Code	Family Code		- Benefiting -				Form 551	
		HCE	OE	E	K	M	(6)	(7a)	(7b)
Susie Smith	NO			Y	Y	Y	x	x	
Molly Watson	NO	A	Y	Y	X	Y	Y	x	
Eric Mayweather	NO			Y	X	Y	Y	x	
Bud Rawls	0				Y	Y	Y	x	
Janie Beach	0				Y	Y	Y	x	
Bob Lewis	0		Y		Y	Y	Y	x	
Todd Watson	0				Y	Y	Y	x	
Sam Wiggins	0	A	Y		Y	Y	Y	x	
Sally Jahr	0				Y	Y	Y	x	
John Spears	0				Y	Y	Y	x	
Taylor Bluffton	T20 - 02/14/2008				N	Y	Y	x	
Tom Kiley	NO			Y	X	Y	Y	x	
Mark Kilpatrick	101				X	X	X		
Michael Monroe	NO			Y	X	Y	Y	x	
Vicky Jones	T130 - 12/02/2008				X	X	X		


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Coding Eligibility for Otherwise Excludable Employees

- Employee|Census|Service – Anniversary of Hire Hours
- Compensation History – Hours
- Termination of Employment
- Rehires
- Overrides – overrides in one field can cause the system to provide incorrect results for OEX

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Coding Eligibility for Otherwise Excludable Employees

Employee | Census | Service – Entering Anniversary of Hire Hours


1 Census
2 Compensation
3 Sources
4 Accounts
5 Testing

Yrs of Cred Svc	0	Prior Yr Cr Svc	0	Fut Svc	0	Date NRA Attained (100% vstd)	/ /
401(a)(4) YOS	0	401(a)(4) Prior Svc	0			Vested Payment Option	
410(b) YOS	0	410(b) Prior Svc	0			Date of Vested Payment	/ /
						Forfeiture Release Option	
						Forfeiture Release Date	/ /

Pay Required Minimum Dist
 Exclude from G/L Alloc

Hours Worked:					
Prior Anniv of Hire to Prior Plan Yr End	750	Prior Cal Yr Beg to Prior Plan Yr End	0		
From Plan Yr Begin to Anniv of Hire	500	From Plan Yr Begin to Cal Yr End	0		
From Anniv of Hire to Plan Yr End	0	From Cal Yr Begin to Plan Yr End	0		

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Service




Coding Eligibility for Otherwise Excludable Employees

Employee | Census | Service – Use the Edit Grid to Enter Anniversary of Hire Hours

- Customize your Edit grid – add to Selected Fields
 - Hrs Anniv 1 (hrs from date of hire to end of prior plan year)
 - Hrs Anniv 2 (hrs from beg of plan year to anniv of hire)

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Coding Eligibility for Otherwise Excludable Employees

Customize your Edit grid

Customize Employee Edit Columns

Available Fields	Selected Fields
HCE	First Name
Hire Age	Last Name
Home Fax	DOB
Home Phone	Hire Date
Hrs Anniv 1	Period Plan Comp
Hrs Anniv 2	Job Class
Hrs Anniv Prior Yr	Hours Worked
Hrs Cal 1	Contrib
Hrs Cal 2	
Hrs Cal Prior Yr	

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Coding Eligibility for Otherwise Excludable Employees

Employee | Census | Service – Use the Edit Grid to Enter Anniversary of Hire Hours

- Use for easy entry of Anniversary of Hire Hours
- Sort Employees by Date of Hire
- Easy to Determine who needs entry for Hrs Anniv1 and Hrs Anniv2

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Coding Eligibility for Otherwise Excludable Employees

Employee | Census | Service – Use the Edit Grid to Enter Anniversary of Hire Hours

Comp Period: 01/01/2008-12/31/2008

First Name	DOB	Hire Date	Hours Worked	Hrs Anniv 1	Hrs Anniv 2
ark	04/22/1968	08/12/2008	.	.000	.000
uzie	08/16/1968	06/04/2008	.	.000	.000
icky	09/18/1982	04/11/2008	968.000	.000	968.000
ally	07/11/1960	03/01/2008	.	.000	.000
olly	04/17/1977	02/22/2008	.	.000	.000
om	03/13/1970	02/15/2008	.	.000	.000
ichael	03/13/1939	01/15/2008	.	.000	.000
ohn	01/27/1978	09/24/2007	2000.000	1400.000	.000
ric	07/08/1952	05/14/2007	.	.000	.000
ffrey	04/17/1960	03/11/2007	2000.000	.000	.000
amantha	02/15/1942	02/22/2007	.	250.000	.000
ndri	02/28/1981	03/14/2004	.	.000	.000

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401(k)/(m) treatment of HCE Otherwise Excludable Employees

Plans | Assumptions | 401(k/m)

- Otherwise Excludable – Test Separately Instead of Including Otherwise HCE Excludable HCE with Other Employees
- If not checked - will test the OEX HCE with all HCE (recommended)

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401(k)/(m) treatment of HCE Otherwise Excludable Employees

Plans | Assumptions | 401(k/m)

1 Plan / Sponsor | 2 Provisions | **3 Assumptions** | 4 Misc.

ADP (401(k)) and ACP (401(m)) Assumptions

Otherwise Excludable--Test Separately Instead of Including Otherwise Excludable HCE's with Other Employees

Do NOT Shift ADP to ACP
 Use NHCE ADP from Preceding Year Use NHCE ACP from Preceding Year

	All NHCEs	Not Otherwise Ex	Otherwise Ex
ADP for Preceding Year	0	0	0
ACP for Preceding Year	0	0	0

Deemed to Pass / Safe Harbor
 Must Pass ADP and ACP tests

Percent of Matching Contribution in ACP test to ignore (requires that ADP Safe Harbor Matching Contribution is made)

Pre-Ret | Post-Ret | 401(a)(4) | **401(k/m)**

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Example #1

Employee works more than 1000 hours in the plan year

Employee hired 9/24/07

Worked 9/24/07 – 12/31/07 750 hours

Worked 1/1/08 – 9/24/08 1400 hours

Worked 1/1/08 – 12/31/08 1850 hours

- In total worked **more than 1000 hours** (750 + 1400 = 2150 as of the **first anniversary of hire**)
- DOP as of 7/1/08 for all sources since there is a dual entry into the plan.

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Example #2

Employee worked less than 1000 hours in the plan year

Employee hired 2/22/07

Worked 2/22/07 – 12/31/07 775 hours

Worked 1/1/08 – 2/21/08 250 hours

Worked 1/1/08 – 12/31/08 900 hours

- In total worked **more than 1000 hours** ($775 + 250 = 1025$) as of the **first anniversary of hire**
- DOP as of 7/1/08 for all sources since there is a dual entry into the plan.

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