


New Comparability Coding and Reading the Test Results

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What Tests are Involved?

- When to test?
 - Safe Harbor designed plan versus Cross Tested Plan
- What tests are involved?
 - 410(b) Coverage Test
 - Ratio Percentage Test or
 - Average Benefit Test
 - Gateway
 - 401(a)4 General Test



DATAIR
EMPLOYEE BENEFIT SYSTEMS, INC.

Assumptions for Testing

- Plan Document stated
- Administrative decision
- Interest Rate Range
- Retirement Age
- Mortality Tables



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Compensation Options

- Testing
- Gateway
- Annual or Average for the EBAR Annual Method
- At least 3 Year Average for Accrued-to-Date Method



Formula Coding in DC/Win

- Graded Percent
 - 99.9% of plans
- Graded Any
 - Call if you think you need to use
- Defining the Levels
 - Who is in the level
 - What that level gets



Otherwise Excludable Testing

- What is Otherwise Excludable (OEX)
- What does testing “separately” mean?
- How do you test “separately”?
 - Test all OEXs separately (system option)
 - Test only NHCE OEXs separately (print option)



410(b) Coverage Test

- Must Pass...Always the First Step
 - Ratio Percentage Test or
 - Average Benefit Test
- Average Benefit Test allows optimal Cross Testing
 - Lower Mid-Point available instead of 70% for testing Rate Groups



Gateway Test

- Passing Gateway Permits Cross Testing
 - No guarantee of Passing 401(a)(4)
- Gateway Passes when lowest NHCE Contribution Percentage equals the lesser of
 - 1/3 of Highest HCE rate or
 - 5% of Gateway Compensation
- Employee Detail
 - Demonstrates what the Gateway is testing



401(a)4 General Test

- What are the tests?
 - Allocation Method
 - Annual
 - Accrued-to-Date
 - Permitted Disparity
- When should you use each test?
 - Allocation Methods should consider a different plan design
 - Danger of using Accrued-to-Date if not tracking balances or compensation



Failed 401(a)4 Test

- Demographic Changes
- Failing Average Benefits Percentage Test
- Failing Gateway
- Gain/Losses affect Accrued-to-Date Method
- Testing All Together rather than OEX
Separate Testing



Tools to Analyze Failed 401(a)4 Test

- 410(b)/401(a)4 worksheets
- Employees| Testing | 401a4/410b tab
- Otherwise Excludable Status
- Notes Report