

PREMIUM ONLY PLAN NON-DISCRIMINATION TEST

DEFINITIONS OF IMPORTANT TERMS:

An HCE (Highly Compensated Employee) is *any* of the following:

- An officer of the employer; or
- A person owning more than 5% of the employer entity* at any point during the current or preceding plan year; or
- A person with annual compensation greater than \$120,000 for the 2015 plan year (\$115,000 in prior plan years); or
- A spouse or tax dependent of any of the above individuals, who is also employed by the company

A Key Employee is *any* of the following:

- An officer with annual compensation greater than \$175,000 for the 2017 plan year (\$170,000 in 2014 - 2016); or
- A person with ownership of more-than-5% of the employer entity*; or
- A person with ownership of more than 1% of the employer entity* with an annual compensation over \$150,000.

ELIGIBILITY TEST

- 1) Can employees enter the plan within 3 years of being hired and does this apply to all employees?
- 2) Once an employee has met the employment requirement, is the employee able to enter the Plan on or before the first day of the following plan year?
- 3) Are all employees eligible for the plan? ("All employees" refers to all Full-Time and Part-Time Employees.)
 - If not, please specify the class of employees who are not eligible (i.e. PT, seasonal, etc.)
 - Please also specify the following:
 - Total number of eligible (participating and non-participating) employees (not including HCE's)
 - Total number of ALL employees only (not including HCE's)
 - Total number of eligible (participating and non-participating) HCE's
 - Total number of ALL HCE's only
- 4) Do all participants have the same opportunity to select benefits under the plan?

IF YOU ANSWERED YES TO QUESTIONS 1 THROUGH 4, YOU PASS THE TEST. YOU DO NOT NEED TO PROCEED TO QUESTIONS 5 THROUGH 7.

CONTRIBUTIONS AND BENEFITS TEST

5) Can you answer yes to either of these questions with regard to employer contributions toward major medical insurance coverage (i.e., general health insurance) offered under the plan?

- Are the employer contributions the same as or more than the cost of major medical coverage provided to similarly situated HCEs (e.g., participants at the same benefit level)?

Example: For XYZ Inc., the cost of self-only (family) major medical insurance for self-only (family) HCEs is \$500 (\$1,000) a month. XYZ Inc contributes \$500 a month to the major medical coverage of all participants with self-only coverage and \$1,000 a month for all participants with family coverage. XYZ could answer “yes” to this question.

- Are employer contributions to participants equal to or greater than 75% of the cost of the most expensive major medical coverage offered under the plan to similarly situated participants (e.g., participants at the same benefit level)?

Example: For XYZ Inc., the cost of the most expensive self-only (family) major medical insurance for self-only (family) HCEs is \$1,000 (\$2,000) a month. XYZ Inc contributes \$750 a month to the major medical coverage of all participants with self-only coverage and \$1,500 a month for all participants with family coverage. Because these contributions are at least 75% of the cost of the most expensive coverage, XYZ could answer “yes” to this question.

If you answered “no” to BOTH questions, please provide the following:

- Total annual gross compensation for all ELIGIBLE HCEs:
- Total annual gross compensation for all ELIGIBLE non-HCEs :
- Total annual premiums for all HCEs participating in the PRE-TAX plan:
- Total annual premiums for all non-HCEs participating in the PRE-TAX plan:

6) Are employer contributions made to participants on a uniform basis without regard to the *compensation* of participants?

KEY EMPLOYEE CONCENTRATION TEST

7) Please provide the following: *

- a. Total pre-tax premiums (paid by both the employer AND the employee) for all employees (including Key employees) who are participating in the plan:
- b. Total pre-tax premiums (paid by both the employer AND the employee) for Key employees only:

*(If you choose, you may use dollar amounts for a period of time less than the entire year (e.g., a single month) to make this calculation easier).

End of Test

TO HAVE YOUR TEST RESULTS CALCULATED, PLEASE USE THE ONLINE VERSION OF THE TEST