

Nondiscrimination Testing

Definitions

Compensation

Participant's annual salary or earnings.

Premium

Participant's total annual pre-tax premium amount.
(do not include 401(k) contribution amounts)

Highly Compensated Employee (HCE)

- Compensation during the preceding year exceeded the dollar limit of \$110,000;
- One of the five highest paid officers;
- Shareholder who owns more than 10% in value of the stock of an employer; or,
- Among the highest paid 25% of all employees;
- Spouse or dependent of an individual described above that works for the same Employer.

Key Employee

- Officers with annual compensation greater than a specified dollar threshold of \$160,000
- More-than-5% owners; or
- Employee makes more than \$160,000 per year and is more than a 1% owner

Note: Government Entities do not have Key Employees

Ownership

Note: Government Entities do not have Owners

Officer

An Employee with the authority of an administrative executive. Whether an individual is considered an Officer is based on all the facts and circumstances (i.e. nature and extent of duties, authority, and continuity of service).

Note: If an employee has an officer's title, but does not have the authority, he is not considered an officer.

Collectively Bargained Employee

An Employee that employed by the employer and a union or other employee representative.

More-Than-5% Shareholder

Someone owning more than 5% of the voting power or value of all classes of stock of the employer.

Nonresident Alien Employee

- Not a U.S. citizen
- Not a lawful permanent resident (green card holder)
- Not able to pass the Substantial Presence Test

Employees that can be excluded from the discrimination testing:

- *Have not completed six months of service (new-hire employees)*
- *Normally work less than 17 1/2 hours per week (part-time employees)*
- *Normally work not more than six months per year (seasonal employees)*
- *Are union members (leased employees)*
- *Are non-resident aliens*
- *Are under the age of 21*



Definitions and/or qualifications may vary between tests. This information has been acquired from our resources, and should merely be used as reference only. Please consult your legal support for questions regarding particular employee classifications.

Nondiscrimination Testing

Spreadsheet

Field	Field Requirements	Field Description
Employee Name	Text	Include Employee's First and Last Name
Effective Date	MM/DD/YYYY	Date in which the data was compiled. This date needs to have occurred within the plan year being tested.
Compensation	XXXX.XX	The preceding plan year's total annual compensation (salary/wages).
Premium	XXXX.XX	All employee pre-tax premiums through the cafeteria plan must be included. As your plan year is not yet complete, please provide a snapshot of how the full plan year will look. Do not include any election amounts for your employee's Medical Flex and/or Dependent Care plans.
Eligible for Benefits	Y/N	Indicate if employee is eligible to participate in the Flexible Benefit plans. Medical, Dependent Care, & Premium Conversion) Y = Yes N = No
HCE (Highly Compensated Employee)	Y/N	Indicate if employee is classified as being a highly compensated employee (use Definitions form as reference) Y = Yes N = No
Key	Y/N	Indicate if employee is classified as being a key employee (use Definitions form as reference) Y = Yes N = No
Ownership	X	0 = 1% 1 = Between 1% - 5% 2 = Over 5% 3 = Not an owner
Officer	Y/N	Indicate if employee is classified as being an officer of the Employer (use Definitions form as reference) Y = Yes N = No
Spouse/Dependent of Owner	Y/N	Y = Yes N = No
Collectively Bargained	Y/N	Indicate if employee is classified as Collectively Bargained (use Definitions form as reference) Y = Yes N = No
Alien Employee	Y/N	Indicate if employee is classified as being an alien employee (use Definitions form as reference) Y = Yes N = No

