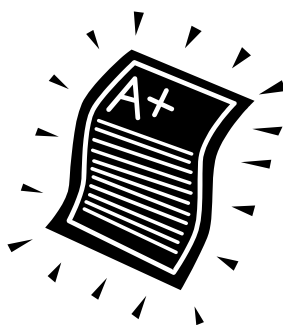


Passing the Test

What can we do to avoid test failure again this year? A cost-effective way to help ensure your plan will pass non-discrimination testing is to increase plan participation by lower-paid employees.

The ADP test compares the average rate of which highly compensated employees defer salaries, but the average deferral rate for non-highly compensated employees. The difference between the highly paid and lower paid employees must be within certain to defined limits. If it isn't, you must correct the excess contribution made by the highly compensated employees—as you did.

To avoid failing the test again this enrollment and automatic plan. Both of these features are lower paid employees. these plan features, you may want efforts to reach lower paid, and



year, look at adding automatic contribution escalation features to your proven to increase plan participation by Alternatively, or in addition to adding to ramp up your employee education non participating employees.

Studies show that offering increases plan participation. If you don't currently offer a match or you discontinued your match during the recent economic downturn, consider offering one or bringing your company match back. Lower paid employees are often ones most influenced by matching dollars. Those who participate frequently contribute up to the employer matching percentage. Changing your match structure from 50% on the first 4% of pay to 25% of the first 8% of pay could increase participant contributions without increasing your monetary outweigh.

matching contributions usually

Another way to avoid failing a non-discrimination test in future years is to adopt a Safe Harbor plan design. If all Safe Harbor requirements are met, the plan does not have to conduct any non-discrimination testing.



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