

Non-Discrimination Testing Requirements

The IRS requires cafeteria plans and the benefits included within the cafeteria plan perform non-discrimination testing on a regular basis. The purpose of the testing is to determine key and/or highly-compensated employee benefit amounts in ratio to non-key and/or non-highly-compensated employee benefit amounts. Cafeteria plans cannot discriminate in favor of highly-compensated employees or key employees.

It is your responsibility as plan sponsor to ensure all non-discrimination tests are completed annually. As part of our service, Discovery Benefits will run the three objective tests listed below. These tests are based on information provided by the employer. All other non-discrimination tests are your responsibility.

The non-discrimination file layout is included in this document. By providing the necessary information, Discovery Benefits will be able to compile the results for the required tests listed below. The results are communicated on a pass/fail basis.

The three objective tests include:

Section 125 25% Key Employee Concentration Test (Premium Conversion, Flexible Spending Accounts)

It ensures that key employees do not receive more than 25% of the total benefits under the plan. If the key employees receive more than 25% of all of the aggregate nontaxable benefits, then the cafeteria plan will fail the Key Employee Concentration Test.

Section 129 More-Than-5% Owners Concentration Test (DCA)

The More-Than-5% Owners Concentration Test is to ensure that certain highly-compensated employees (i.e., more than 5% owners) and their family members don't receive more than 25% of the DCA benefits. If 5% owners are getting more than 25% of the benefit, then the DCA will fail the 25% Owners Concentration Test.

Section 129 55% Average Benefits Test (DCA)

The 55% Average Benefits Test is to ensure that highly-compensated employees do not participate disproportionately. Unlike the DCA Owners Concentration Test, which focuses on owners and on aggregate benefits, the 55% Average Benefits Test focuses on the average (per capita) benefit received by highly-compensated employees as compared to that received by non-highly-compensated employees. If the non-highly-compensated employee's average is not at least 55% of the highly-compensated employee's average, the highly-compensated employees are taxed on all DCA benefits received.

Field	Field Requirements	Field Description
Co Code	Text	Co Code assigned by Discovery Benefits.
Last Name	Alpha	
Middle Initial	Alpha	
First Name	Alpha	
Social Security Number	XXXXXXXX	Do not include dashes.
Effective Date of Testing	MM/DD/YYYY	Date in which the data was compiled. This date needs to have occurred within the plan year being tested.
Pre-Taxed Insured Premiums	XXXX.XX	The Premium Column should contain the pre-tax premiums being paid by the employee and/or employer for your group's insured benefits. If your benefit is self-insured, those premiums need to be included. Check your cafeteria plan document to confirm which benefits are being taken on a pre-tax basis. 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 and/or Dependent Care plans.
Annual Health Savings Account Contributions	XXXX.XX	HSA contributions through a cafeteria plan must be included. Amounts need to include both employee and employer contributions. Column must indicate snapshot of contributions to date including projected contributions for the entire year. Do not include Medical and/or Dependent Care elections. If your employer does not offer an H S A plan, populate this column with zeroes.
Eligible for Benefits	Yes/No	Indicate if employee is eligible to participate in the Flexible Benefit plans. (Medical, Dependent Care, & Premium Conversion) List all employees in template.
Highly Compensated Employee	Yes/No	Defined by one or more of the following: -A shareholder owning more than 5% of the voting power or value of all classes of stock of the employer; -A more than 5% owner during the current or prior plan year -An individual who had compensation (in prior plan year) in excess of the Code 414(q)(1)(B) compensation threshold of \$110,000. - A spouse or dependent (within the meaning of IRC Section 152) of the above employees or owners.
Key	Yes/No	Defined by one or more of the following: -An officer of the employer with annual compensation in excess of a specified dollar threshold (\$160,000); -A more than 5% owner of the employer; or -A more than 1% owner of the employer with annual compensation in excess of \$150,000 (not indexed).
Ownership	X	0 = Less Than 1% 1 = Between 1% - 5% 2 = Over 5% 3 = Not an Owner
Spouse/Dependent of 5% or more Owner	Yes/No	
Collectively Bargained	Yes/No	Defined as a union employees.
Alien Employee	Yes/No	Nonresident aliens who receive no U.S. source earned income.

***Any files received outside of the template requirements will result in processing delays.**