

# NONDISCRIMINATION TESTING CHECKLIST

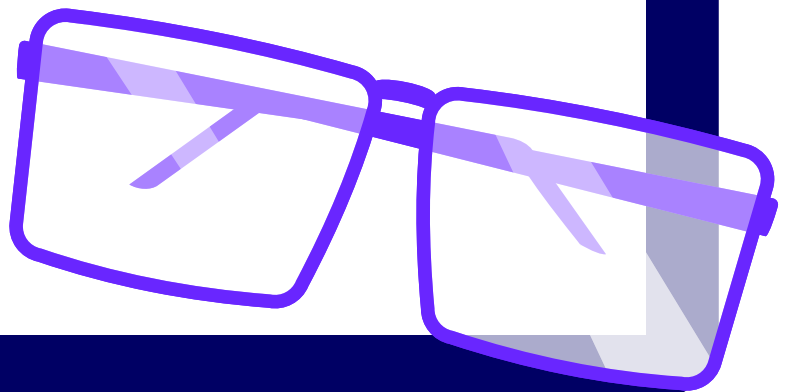
Stressed about nondiscrimination testing? You're not alone. Use this checklist to stay ahead of compliance and avoid last-minute surprises.

## Get Started: Prep Your Data

- ☐ Identify which of your plans require nondiscrimination testing (401(k), cafeteria plans, FSAs, DCAPs, etc.).
- ☐ Determine your key employee groups: Highly Compensated Employees (HCEs) and Key Employees (think executives and business owners).
- ☐ Gather payroll, benefits, and contribution data for the previous year.
- ☐ Set a calendar reminder for key testing deadlines. Early action prevents compliance headaches.

## 401(k) Plan Testing

- ☐ **Actual Deferral Percentage (ADP) test:** Ensure HCE salary deferrals aren't significantly higher than non-HCE deferrals.
- ☐ **Actual Contribution Percentage (ACP) test:** Confirm employer match and after-tax contributions are within compliance limits.
- ☐ **Top-heavy test:** Verify that Key Employees don't hold more than 60% of total plan assets.
- ☐ **If a test fails:** Take corrective action quickly (refund excess contributions, make additional employer contributions, etc.).



## Cafeteria Plan and FSA Testing

- ☐ **Eligibility test:** Confirm that all employees can fairly access pre-tax benefits.
- ☐ **Contributions and benefits test:** Ensure HCEs and Key Employees aren't receiving disproportionate benefits.
- ☐ **Key Employee concentration test:** Make sure Key Employees don't receive more than 25% of total benefits.

## Dependent Care Assistance Plan (DCAP) Testing

- ☐ **Eligibility test:** Verify that a broad and nondiscriminatory group of employees can participate.
- ☐ **Contributions and benefits test:** Ensure contributions aren't skewed in favor of high earners.
- ☐ **More-than-5% owners test:** Confirm that business owners and their families aren't receiving excessive benefits.

## After the Tests: Take Action

- ☐ Review and document all results—good recordkeeping matters.
- ☐ If any test fails, work with your benefits provider or legal counsel to correct it.
- ☐ Notify employees about any required changes to contributions or benefits.
- ☐ Plan ahead for next year. Early compliance steps now save time (and stress) later.

