10.8. HCE Determinations

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HCE determinations are done at the time a census data scrub is run for a plan testing year. The system will not use top paid group determinations as a default. If you select top paid group determinations, you should ensure that this is selected for each year the plan is on the system.

The field "HCE" will display whether an employee is an HCE for current plan year testing purposes and "HCE Reason" will display a reason for the employee's selection as an HCE. HCE determinations are made based on 1) ownership at any time during the current or preceding year and/or 2) the compensation in the preceding year.

For more information about how an HCE determination was made, select to "edit" the "HCE Data" grid under the "Other Import/Export/Report Menu". Here, you will see all the fields relevant to HCE determinations.
- For ownership determinations, "Percentage_Ownership", "Family_Group" and "Family_Group_Relation" are relevant fields.
- For prior year compensation, the field "Prior_Yr_Comp" is used.

Top paid group determinations

The field "HCE_TopPaidGrpPrior" is used to determine HCE status for current plan year testing purposes. The top paid group determination is entirely determined based on compensation rank in the prior year (HCE_TopPaidGrpPrior the first year a plan is on the system should not be used). The system will use the regular rules of math (rounding up if 0.5 or higher) to determine the number of employees that make up 20% of the workforce and sort the top paid group by compensation (those with highest compensation will be placed in the top paid group). In case of any employees with identical compensation, the system will select the employee with the highest ownership as the top paid group employee.

The field "HCE_TopPaidGrpCurr" will display the top paid group determination based on compensation in the current plan year (it is therefore not used for testing purposes until the next plan year). When the census is run for the next year, the system copies the HCE_TopPaidGrpCurr field from the prior year record and places it in the HCE_TopPaidGrpPrior field.

If selected as an option in the plan specifications, HCE_TopPaidExclCount is set to Yes when an employee is excluded in determining the total number of employees when doing the top paid group election (due to not reaching age 21, not completing 6 months of service, etc. in the preceding plan year).

Employee_Type (Full time, Part time more than 17.5, Part time less than 17.5 or Less than 6 months/yr) and Employee_Class (Normal, Union, Self Employed, Leased, Non Res Alien, Opt-out or Other) are both relevant to the HCE_TopPaidExclCount determination, if applicable.