

10.9. Top Heavy

10/29/2024 4:37 pm CDT

The system will calculate the top heavy status of the plan for the following plan year. In order to determine top heavy status, the system needs to calculate who is a key employee and know the value of such key employees' accounts as of the applicable determination date (typically the last day of the plan year). Key employee determinations and account balances will be discussed below - as well as some strategies to test top heavy status for the first testing year of an existing plan.

- Key employee determinations

Key determinations are done at the time a census data scrub is run for a plan testing year. For more information about how an Key determination was made, select to "edit" the "Key Data" grid under the "Other Import/Export/Report Menu". Here, you will see all the fields relevant to Key determinations.

"KEY_Employee_DetermDate" is the field used for the current plan year top heavy testing purposes. Key employees are determined based on ownership, officer status and compensation generally as of the last day of the preceding plan year.

If a field does not end in DetermDate, then it is an indicator based on current year data (generally, last day of the current plan year) and will generally be applicable in the next testing year.

For example: If you are testing the 2009 plan year, the Key fields marked with the "DetermDate" indicator are indicators for the 2009 testing year determination date (for a calendar year plan, this will typically refer to data as of 12/31/08). The key fields NOT marked with "DetermDate" indicator are indicators for the 2010 testing plan year (for a calendar year plan, this will typically refer to data as of 12/31/09).

If selected as an option in the plan specifications, "KEY_EmployeeOfficerExclCount" and "KEY_EmployeeOfficerExclCount_DetermDate" both indicate whether an employee is excluded for determining the number of officers that should be included as key employees. Under Code section 416(i)(1)(A), no more than 50 officers or the greater of 3 employees or 10% of employees will be considered key employees. 10% of employees will be determined by rounding to the next integer if the calculation results in a number that is not a whole number.

KEY_EmployeeOfficerGrp = Employee is in top officer group in current year

- Account balances

The Top heavy test will use the total account balances of participants' accounts as found in the [Transaction Menu](#). You therefore must complete the transactions menu items and have correct balances as of the determination date to do an accurate top heavy test. The system will use the transactions that were posted with a contribution date that is on or before the determination date to calculate the value of key and non-key account balances. See the [Transaction Menu](#) for more information on how to set up and post transactions.

- Top heavy testing the first testing year for an existing plan.

For the first year a plan is on the system, Key employee determinations and top heavy tests cannot be performed for the determination date without additional information. The simplest way to accomplish this is to load a prior year census, update the transactions menu in the prior year to reflect ending balances as of the determination date and run the top heavy test in that year. The data will then be copied to the current year when the current plan year end is added.

NOTE: the top heavy test results displayed after clicking on the "Run" button next to the Top Heavy Test from the

"Task" page are the results for the current testing year. If the plan year end being tested is 12/31/09 (and it is not the first year of the plan), the top heavy test results will display for the 12/31/08 determination date.
