

4.4. ADP/ACP Tests

12/04/2024 3:49 pm CST

Expand the ADP/ACP Test section; first you can set testing parameters, such as methods to avoid failure and corrections, as well as whether the current or prior year NHCE data will be used. Note that any parameters specified in the plan document, such as QNEC options, would be set in Plan Specifications.

Q.S. Tip: To specify prior year, indicate this in the “Prior Year Elections section. The screen will refresh and you will see a link to another screen where you can enter the actual numbers for the prior year. Be sure to click the update button when you have entered the data.

Having reviewed and edited parameters you click the Run icon to do the tests. You will see a summary of the results on the screen when the test is completed and if either test has failed you will see links to do corrections. If using disaggregation of otherwise excludable employees, you will see three lines of test results:

Group Shows the test results for

DisaggOver Those who are non-excludable

DisaggUnder Those who do not meet statutory eligibility

ExclNHCE All HCEs and non-excludable NHCEs (sometimes referred to as the “Carve-out” method)

You first need to select which testing combination to correct- if you choose “Two Tests” the corrections will be run separately on the excludables and the non-excludables. If you choose “ExclNHCE” the corrections will just be run on that group, i.e. all HCEs and non-excludable NHCEs. Select one of these options and click the “Select Test Option” button. Note that even if you are not using disaggregation you still need to click the “Select Test Option” button.

If the plan allows for QNECs you will see an option to estimate QNECs - click this to see the estimated amounts to correct the test. You can then either allocate the QNEC or click the “Back to ADP (or ACP) Results” link to go back to the results screen. Please note the QNEC estimator is not available for all testing options.

A failed test will always offer the option to do refunds and calculate catch-ups. This option will calculate the amounts to be refunded to HCEs; however if any of the HCEs are catch-up eligible and have not used their entire catch-up amount, the software will automatically re-characterize as much as possible of the refund to catch-up. If you don't want eligible refunds re-characterized as catch-up, you can indicate this on the ADP/ACP Test Parameters screen.

The required refund amounts will be displayed and you can calculate earnings as follows:

- If you have transaction batches posted, you can click the link “Update earnings from transaction data”.
- Otherwise you can enter the beginning balance plus contributions and earnings for that participant's deferral source into the Refund Earnings box and click the “Update earnings” button.

You can review the details of the test by clicking the Reports icon.
