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SARSEP IRA Deferral Percentage Test

Use this form to determine the actual deferral percentage for non-highly compensated employees and calculate the maximum permissible deferral for each highly compensated employee.

Complete and retain with this form plan records. Do not return this form to Invesco Investment Services, Inc.

Start here >.
Use "Tab" key to move to next field.

Plan year-end

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1 | The Deferral Percentage Test

The deferral percentage test is an annual test which restricts the amount that highly compensated employees may contribute through salary deferral to their SARSEP accounts. Each highly compensated employee (as defined below) may defer no more than 125% of the average deferral percentage of the non-highly compensated group of employees. The test must be performed annually as of the last day of the plan year.

2 | Instructions

(1) Elective deferral requirements. *(See section 4.1 of the plan document.)*

(a) Have you had 25 or fewer employees at all times during the prior plan year who were eligible to participate in the plan? If yes, proceed to 1(b). If no, proceed to 1(c).

(b) Have 50% or more of plan participants elected to make elective deferrals to the SARSEP? If yes, proceed to step 2. If no, proceed to 1(c).

(c) If you answered "no" to 1(a) or 1(b), all of the elective deferrals made by employees for the plan year are considered disallowed under section 4.6 of the plan document and the code. Do not proceed with the SARSEP IRA deferral percentage test, but refer to the participant notification and reporting requirements in sections 4.7 and 4.8 of the plan document.

(2) Separate eligible employees into two groups: highly compensated and non-highly compensated.

(3) List **eligible** employees in their respective group indicating their compensation and salary deferral.
Important: You must also include all eligible employees who elect not to make salary deferral contributions. Indicate their deferral amount ($) in column 4 as zero.

(4) Compute each eligible employee's deferral percentage in column 4.

(5) Add up the deferral percentage of each employee in the non-highly compensated group. Divide by the number of eligible employees in that group to arrive at the average deferral percentage.

(6) Multiply the average deferral percentage for non-highly compensated employees by 125% to arrive at the deferral percentage limitation for the highly compensated employees.

(7) Compare the deferral percentage for each highly compensated employee against the deferral percentage limitation for highly compensated employees.

(8) Send appropriate notifications to highly compensated employees with excess contributions.

3 | Definitions

(1) **Employee:** For the purposes of this worksheet we are listing only employees eligible for this SARSEP. An employee who was eligible at any time during the plan year but who terminates prior to the end of the plan year is included for this test. An eligible employee who elects not to make elective deferrals shall be treated as having a 0% deferral percentage.

(a) **Highly Compensated (HC) Employee:** An employee (and certain family members) who meet the following definition.

Any employee who was a 5% owner at any time during the current or preceding year. An employee is a 5% owner if such person owns more than 5% of the company. For purposes of the "5% owner" category of HC employee, employees are deemed to own interests owned by their spouse, parents, children and grandchildren (the age of the children or grandchildren is immaterial); or
The employee had compensation in excess of $115,000, as indexed for the preceding year. For this category of HC employee, the employer can elect to require that an employee who earns over $115,000 must also be in the top-paid group of employees for the preceding year to be considered a HC employee.

(b) **Non-highly Compensated (NHC) Employee:** An employee who does not meet the definition of highly compensated.

(2) **Elective Deferrals:** All contributions made to the SARSEP at the election of an eligible employee (participant) in lieu of cash compensation or bonuses pursuant to a salary savings agreement or cash option election.

(3) **Compensation**: Total wages, salaries, fees, bonuses or other taxable remuneration paid to participant from the employer during the period in which the individual actually participated in the plan. Compensation shall be limited to $260,000 in 2014 as adjusted for inflation. The compensation limit must be adjusted proportionately for plan years of less than 12 months.

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4 | Eligible Non-highly Compensated (NHC) Employees

NOTE: Please read the definitions before completing worksheet.

(1) Employee Name	(2) Elective Deferrals	(3) Compensation	(4) Deferral Percentage column 2 ÷ column 3
	$	$	%
	$	$	%
	$	$	%
	$	$	%
	$	$	%
	$	$	%
	$	$	%

(5) Total of all deferral percentages (column 4) 0.00

(6) Number of eligible NC employees (column 1) _____

(7) Average deferral percentage for NHC employees (line 5 ÷ line 6) _____

5 | Eligible Highly Compensated (HC) Employees

NOTE: Please read the definitions before completing worksheet.

(1) Employee Name	(2) Elective Deferrals	(3) Compensation	(4) Deferral Percentage column 2 ÷ column 3
	$	$	%
	$	$	%
	$	$	%
	$	$	%

(A) Each HC participant may not defer more than 125% of the average deferral percentage for NHC employees (section 4, line 7), referred to as the "deferral percentage limitation."
125% x 0.00 = 0.00 deferral percentage limitation for each HC participant

(B) Compare the deferral percentage for each HC employee against the deferral percentage limitation calculated in line A of this section.

(C) Any amount in excess of the deferral percentage limitation for each HC employee is considered an "excess contribution" under the code. Employers must notify each HC employee of any excess contributions within 2½ months following the end of the plan year to which the contributions relate. The notification must meet the requirements of sections 6.4 and 6.5 of the plan document. Failure to notify affected HC employees will result in the imposition of excise taxes and penalties on the employer, as described in section 6.7 of the plan document.

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