

PROPOSAL FOR

SAMPLE PLAN

EFFECTIVE DATE OF PLAN(S):

January 1, 2008

VALUATION DATE:

January 1, 2009

PREPARED FOR:

XYZ COMPANY

AND

RST PARTNERSHIP

PREPARED BY:

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DATE PREPARED

February 18, 2010

SAMPLE PLAN

Valuation Date : 01/01/2009

IRS 401(a)(26) Minimum Participation Test

The IRC 401(a)(26) Minimum Participation Test applies only to Defined Benefit Plans. It requires a plan to benefit the lesser of 50 employees or 40% of the employees of the plan sponsor. If there are only two employees, both employees must benefit under the plan. This is a threshold test that must be satisfied before coverage is tested under IRC 410(b) or non-discrimination is tested under IRC401(a)(4). A plan is not qualified if it fails the IRC 401(a)(26) Minimum Participation Test, even if it passes all other tests. The HCE or NHCE status of an employee has no bearing on the test. The IRS has no regulation that clearly defines when an employee is "benefiting", but IRS officials have stated that an employee who accrues a retirement benefit of at least 0.5% of compensation in a year under the plan is considered benefiting in that year.

SUMMARY OF IRC 401(a)(26) TEST PASS

1. NUMBER OF EMPLOYEES INCLUDED IT THE TEST:	14
2. NUMBER OF EMPLOYEES CONSIDERED BENEFITING IN THE DEFINED BENEFIT PLAN:	12
3. % OF EMPLOYEES IN TEST THAT ARE BENEFITING: (2)/(1)	85.71%
4. IS (2) ABOVE GREATER THAN 50? IF YES TEST PASSES:	NO
5. IS (3) ABOVE 40% OR GREATER? IF YES TEST PASSES:	YES

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IRS 410(b) MINIMUM COVERAGE TEST

All plans are subject to this test. Two or more plans may be aggregated in order to pass this test. There are two ways that this test can be passed. One of two tests must be satisfied to satisfy the minimum coverage requirement. The two tests are referred to as the Ratio Test and the Average Benefits Test.

70% Ratio% Test:

All employees, except those who may be excluded under IRC 1.410(b)-6, must be considered for this test. The ratio of the HCE who are benefiting under the plan(s) is compared to the ratio of the NHCE who are benefiting under the plans(s). If the NHCE benefiting ratio is at least 70% of the HCE benefiting ratio this test is passed.

NDC - Average Benefit% Test:

To pass this two-part test both the 'Non-discriminatory Classification Test' and the 'Average Benefit% Test' must be satisfied. The NDC Test requires that the classification of employees excluded from the plan(s) being tested is established under objective business criteria that identify the category of the employees covered and either the 'Safe Harbor % Test' or the 'Facts and Circumstances Test' is satisfied. The 'Average Benefit% Test' requires that all plans of the sponsor have a 'Benefit Ratio' of 70%. For this test 'imputed disparity' and 'cross testing' may be used.

SUMMARY OF IRC 410(b) TEST PASS

A) RATIO TEST:	
1. NUMBER OF HCE ELIGIBLE TO PARTICIPATE IN PLAN:	3
2. NUMBER OF HCE PARTICIPATING IN THE PLAN:	3
3. % OF HCE PARTICIPATING IN THE PLAN: (2)/(1)	100.00%
4. NUMBER OF NHCE ELIGIBLE TO PARTICIPATE IN PLAN: 11	
5. NUMBER OF NHCE PARTICIPATING IN THE PLAN:	11
6. % OF NHCE PARTICIPATING IN THE PLAN: (5)/(4)	100.00%
7. RATIO %: (6)/(3)	100.00%
8. IS RATIO % GREATER OR EQUAL TO 70%? IF YES TEST PASSES:	YES
B) AVERAGE BENEFITS TEST:	
1. BENEFIT RATIO % FOR THE HCE	0.081
2. BENEFIT RATIO % FOR THE NHCE:	0.078936
3. BENEFIT RATIO %	97.45%
4. IS (3) GREATER THAN 70%? IF YES RATIO % TEST IS SATISFIED:	YES
5. SAFE HARBOR %	36.50%
6. UNSAFE HARBOR %	26.50%
7. RATIO % (a)(7):	100.00%
8. RESULTS:	REASONABLE CLASSIFICATION TEST REQUIRED

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IRC 416 MINIMUM TOP HEAVY TEST

If a plan is determined to be Top Heavy then IRC 416 requires that a minimum defined benefit or a minimum % of compensation account addition be provided to all eligible NHCE. A plan is Top Heavy if the Top Heavy Ratio, in the current (for a new plan) or for the prior year (for an existing plan), exceeds 60%. The Top Heavy Ratio is determined by comparing the benefits in the plan or plans being tested for the Key employees to the benefits of all Employees. A Key Employee has a special definition, as described in IRC 416(i)(1), and is different than the definition of HCE. If a plan is top heavy then IRC 416 requires a minimum benefit (for DB plans) or a minimum % of compensation account addition (for DC plans) must be provided to non-Key participants. If the plan sponsor provides both a DB and a DC plan then the IRC 416 minimum benefit is required in only one of the plans.

SUMMARY OF IRC 416 MINIMUM TOP HEAVY TEST

PASS

1. WAS THE PLAN TOP HEAVY IN THE PRIOR YEAR:	N/A
2. BENEFIT TO KEY EMPLOYEES FOR THIS YEAR:	\$253,500
3. BENEFIT TO ALL EMPLOYEES FOR THE YEAR:	\$323,183
4. TOP HEAVY RATIO FOR THIS YEAR:	78.44%
5. DO MINIMUM TOP HEAVY BENEFIT HAVE TO BE PROVIDED FOR THIS YEAR	YES
6. MINIMUM TOP HEAVY BENEFIT TO BE PROVIDED IN THE DC PLAN:	5.00%
7. MINIMUM TOP HEAVY BENEFIT TO BE PROVIDED IN THE DB PLAN:	NO
8. ACTUAL BENEFIT PROVIDED IN THE DC PLAN EXCEEDS MINIMUM:	YES
9. ACTUAL BENEFIT PROVIDED IN THE DB PLAN EXCEEDS MINIMUM:	N/A
10. WAS THE MINIMUM TOP HEAVY TEST SATISFIED:	YES

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SPECIAL GATEWAY RULES UNDER 1.401(a)(4)-9(b)(2)(v)

The Special Gateway rules apply when one or more DC plans are aggregated for testing with one or more DB plans. The ensemble of plans being tested must provide most of the benefits in the DB plan(s) or else there must be a minimum contribution provided in the DC plans(s). The Minimum Gateway benefit is expressed as a percentage of compensation that must be provided to each NHCE. The Minimum Gateway threshold percentage is determined by the overall benefit provided to the NHCE. The maximum Gate Way Percentage is 7.5% of compensation for NHCE.

SUMMARY OF THE SPECIAL GATEWAY RULES UNDER 1.401(a)(4)-9(b)(2)(v) PASS

1. ARE BENEFITS PRIMARILY DEFINED BENEFIT IN NATURE: IF YES TEST PASSES	NO
2. MINIMUM GATE WAY % REQUIRED IN THE PLANS:	7.50%
3. GATEWAY % PROVIDED FOR IN THE DC PLANS ALONE:	3.84%
4. DOES DC PLAN ALONE SATISFY THE GATEWAY % TEST:	NO
5. DOES THE COMBINED PLANS SATISFY THE MINIMUM GATE WAY %	YES

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IRC 401(A)(4) ACCRUAL RATE TEST
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The Accrual Rate Test compares the benefit being provided to each HCE to the benefits being provided to the NHCEs in the plan. Each HCE constitutes a Rate Group. A rate group consist of all the HCE and NHCEs that have a equal or greater Normal Accrual rate and Most Valuable Accrual rate (as a % of Compensation) to the HCE being tested. Each Rate Group must then pass either the Average Benefits Test or the Ratio Test.

Summary of the IRC 401(a)(4) Accrual Rate Test
PASS

LAST NAME	0=NO 1=YES HCE	NORMAL AGGREGATE ACCRUAL RATE	MOST VALUABLE AGGREGATE ACCRUAL RATE	RATE GROUP TO TEST	RATIO TEST	RATIO %	AVERAGE BENEFITS TEST
HCE#1	1	13.48%	15.82%	YES	FAIL	54.55%	PASS
HCE#2	1	3.12%	3.12%	YES	PASS	136.36%	PASS
HCE#3	1	1.38%	1.38%	YES	PASS	100.00%	PASS

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SUMMARY OF PLAN(S) PROVISIONS

A. Plan Effective Date: January 1, 2008

B. Valuation Date: January 1, 2009

C. Eligibility Requirements:
 1) Minimum months of Service: 12
 2) Minimum age: 21
 3) Entry date: 1st Day of Plan Year Nearest the Satisfaction of the Requirements

D. Normal Retirement:
 1) Minimum age: 65
 2) Minimum years of service: 5
 3) Date: 1st Day of Month Following the Satisfaction of the Requirements

E. Vesting Schedule: 3-Year Cliff [100% after 3 years]

F. Death Benefit:
 1) Defined Benefit Plan: 100% of the present value of the Accrued Benefit
 2) Profit sharing plan: 100% of the account balance

G. Accrued Benefit:
 1) Defined Benefit Plan: account balance or benefit accrued to date
 2) Profit sharing Plan: account balance

H. Top-Heavy status: Plan(s) are Top-Heavy

I. BENEFIT/ALLOCATION:

group #	classification	defined benefit plan:	profit sharing plan
0		annual theoretical cash balance contribution of 8.00%	annual contribution of 7.00%of compensation
1		maximum annual theoretical cash balance contribution	maximum annual addition
2			annual contribution of 5.00%of compensation
3			annual contribution of 5.00%of compensation

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SUMMARY OF PLAN(S) ASSUMPTIONS FOR TESTING

	<u>defined benefit plan:</u>	<u>profit sharing plan</u>
A. Interest rate:		
1) Pre retirement:	5.50%	8.50%
2) Post retirement:	5.50%	8.50%
B. Mortality Table:		
1) Pre retirement	none assumed	none assumed
2) Post retirement	2009 417(e) table	RR 95-6 1983 GAM 50/50 BLEND
C. Testing retirement age:	65	65