

# Actuarial Work-Products, Inc.

8025 North Point Blvd, Suite 207W  
Winston-Salem, NC 27106  
Tel. (336) 759-2035  
Fax. (336) 896-0392

Carlton Harker, FSA, MAAA  
Principal  
[harker2@earthlink.net](mailto:harker2@earthlink.net)

Philip Castevens, ASA, MAAA  
Principal  
[pge512@yahoo.com](mailto:pge512@yahoo.com)

<b>TO:</b>	<b><u>Addressee No. 1</u></b>	<b><u>Addressee No. 2</u></b>	<b><u>Addressee Number 3</u></b>
	John Smith Enterprises	Self-Funding Actuarial	Black and White Consult
	PO Box 987	8025 North Point Blvd	1841 Downtown Avenue
	Winston-Salem, NC 27103	Winston-Salem, NC 27106	Covington, LA 57108
	Tel. 888-999-9999	Tel. 336-759-2035	Tel. 999-797-1109
	Fax. 555-777-4444	Fax. 336-906-0392	Fax. 888-797-1079

**RE: Discrimination Testing**  
**Health Care Plans – IRC Section 105(h)**  
**Safe Harbor Test**

**Test Date** \_\_\_\_\_

**Employer** \_\_\_\_\_

**Single** \_\_\_\_\_ **Multiple (Controlled/Affiliated)** \_\_\_\_\_ **Other Employers Include:**

\_\_\_\_\_  
\_\_\_\_\_

**Plan Name** \_\_\_\_\_ **DOL No.** \_\_\_\_\_

**Plan Description** \_\_\_\_\_

**Engager** \_\_\_\_\_ **Test Year** \_\_\_\_\_

This Work-Product constitutes an Actuarial Opinion that may be used to determine whether or not the subject plan is discriminatory as contemplated by IRC Section 105(h) and relevant regulations and rulings without the necessity of recognizing the HCIs. The quantitative aspects of health care plan discrimination testing are properly of interest to the health actuary. Other areas of interest (plan restructuring, financial penalties, e.g.) properly remain with the accountant or attorney, however. This Work-Product is in three parts: (a) Opinion, (b) Testing Results and (c) Submitted Data.

Sincerely,

\_\_\_\_\_  
Date

\_\_\_\_\_  
Principal or Certifying Actuary

# Opinion

I am either (a) a principal of Actuarial Work-Products, Inc. or (b) a Certifying Actuary designated as Addressee Number Three and am a member of the Society of Actuaries and of the American Academy of Actuaries. I, or my firm, has been retained by the Engager to provide calculations of certain actuarial items for the above-cited Health Care Plan and also to provide an opinion as to whether or not such Plan is discriminatory as contemplated by applicable Federal Laws, Regulations or Rulings. I relied upon the Engager cited herein as to the accuracy and completeness of the underlying data and documentation that was used in this Certification. In other aspects, my examination included (a) reviews of the actuarial assumptions, methods, submitted data and (b) tests of actuarial computations as I considered necessary under the circumstances.

## **Are These Discrimination Tests Met?**

### **Eligibility Tests**

**70% Test**

\_\_\_\_\_

**70/80% Test**

\_\_\_\_\_

### **Benefits and Contributions Tests**

***Per Se Tests***

\_\_\_\_\_

**Benefit Availability Tests**

\_\_\_\_\_

**Is this Plan Non-Discriminatory for the Test Year?**

\_\_\_\_\_

This Work-Product is an actuarial opinion as contemplated by the American Academy of Actuaries.

1. I am qualified to offer such opinion by reason of my meeting the requisite examination, experience and continuing education requirements of the American Academy of Actuaries.
2. I am independent of and have no conflicted interest with any part with respect to this Work-Product.
3. This Work-Product was prepared at the request of the Engager who is identified herein and who may not be the end-user.
4. I intend to be a fiduciary with respect to this Work-Product and will act accordingly striving to meet the standards of conduct necessary to meet this end.

5. The professional liability for the computer-provided computations used in this Work-Product is assumed by Actuarial Work-Products, Inc. which has in place appropriate professional liability insurance. Either the Principal or the Certifying Actuary, as signing Actuary, assumes the professional liability for the data-handling activities and has in place appropriate E & O insurance; such Actuary does not assume the liability for flawed or inappropriately submitted data but does assume the professional responsibility for reviewing such data for general reasonableness and appropriateness. Professional liability for any related consulting is a facts and circumstances matter.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Principal or Certifying Actuary

# Testing Results

## Eligibility Tests

### Percentage Test

	<u>70% Test</u>	<u>70/80% Test</u>
Employees – Total	_____	
Without the Excludables		_____
Participants – Total	_____	
Without the Excludables		_____
Test Result	_____	_____
Do the Excludables exceed 70% of the Total Employees?		_____

## Benefits and Contributions Test

### *Per Se* Tests

Were there any instances during the Test Year where Plan Benefits were either offered or used by any one of the HCI that were discriminatory *per se*, or in practical effect (e.g., eligibility, benefits, contributions, variations by tenure or variations by compensation), so as to favor such HCI? Yes \_\_\_\_\_ No \_\_\_\_\_

### Benefit Availability Test

Were there any instances during the Test Year when either Plan Benefits or Contributions were offered to one employee grouping that were different from those that were offered to another employee grouping where the potential of *per se* discrimination was present? Yes \_\_\_\_\_ No \_\_\_\_\_

# Submitted Data

