

Self-Funding Actuarial Services, Inc.

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TO:	<u>Addressee No. 1</u>	<u>Addressee No. 2</u>	<u>Addressee Number 3</u>
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RE: **Discrimination Testing** **Test Date** _____
Cafeteria-Flexible Spending Account
Single Test

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 applicable Federal laws. 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 four parts: (a) Opinion, (b) Summary of Data, (c) Testing Results and (d) Submitted Data (if requested to be shown).

Sincerely,

Principal

Opinion

I am a principal of Self-funding Actuarial Services, Inc. and am a member of the Society of Actuaries and am a member of the American Academy of Actuaries. My firm has been retained by the Engager to provide calculations of certain actuarial items for the above-cited Health Care Plan(s) and also an opinion as to whether or not such Plan(s) are discriminatory as contemplated by applicable federal laws. 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.

	<u>Are These Discrimination Tests Met?</u>
Eligibility Tests	
70% Test	_____
70/80% Test	_____
Classification Test	
Test I – Benefits and Annual Compensation Test	_____
Test II – Benefits Ratio Test	_____
Benefits and Contributions Tests	
<i>Per Se</i> Test	_____
Benefits for Highly Compensated Test	_____
Is the 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 this Work-Product is assumed by Self-Funding Actuarial Services, Inc. which has in place an appropriate professional liability insurance. A PDF of the Declarations Page of this policy is available at www.awpse.com/eando.pdf

Date

Principal

Summary of Data

Highly Compensated Individuals

<u>Designation</u>	<u>Officer</u>	<u>Shareholder Percent</u>	<u>Over 414 (q) Limit</u>	<u>Annualized Compensation</u>	<u>Qualified Benefits</u>	<u>Participant Contributions</u>
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
Total		_____	_____	_____	_____	_____

Summary of Census

<u>Grouping</u>	<u>Participant</u>			<u>Participant</u>			<u>Total</u>
	<u>Excl</u>	<u>Non-Excl</u>	<u>Total</u>	<u>Excl</u>	<u>Non-Excl</u>	<u>Total</u>	
HCI	_____	_____	_____	_____	_____	_____	_____
Non-HCI	_____	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____	_____

Summary of Compensation, Benefits and Contributions

<u>Grouping</u>	<u>Number</u>	<u>Annualized Compensation</u>	<u>Qualified Benefits</u>	<u>Participant Contributions</u>
<u>Participants</u>				
HCI	_____	_____	_____	_____
Non-HCI	_____	_____	_____	_____
Total	_____	_____	_____	_____
<u>Non Participants</u>				
HCI	_____	_____	_____	_____
Non-HCI	_____	_____	_____	_____
Total	_____	_____	_____	_____
All Groupings	_____	_____	_____	_____

Testing Results

Eligibility Tests

Percentage Test

Total Employees	_____
Excludible Employees	_____
Eligible Employees	_____
Participants	_____
70% Test Result	_____
70//80% Test Result	_____

Classification Test (Participants Only)

Test I – Benefits and Annual Compensation Test

(A) Highly Compensated Participants

(1) Qualified Benefits	_____
(2) Annualized Compensation	_____
(3) Benefit Ratio (1)/(2)	_____

(B) Non-Highly Compensated Participants

(1) Qualified Benefits	_____
(2) Annualized Compensation	_____
(3) Benefit Ratio	_____

(C) Percent	(B)(3)/(A)(3) x100	_____
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Test II – Benefit Ratio Test (Participant Census Only)

Ratio Percent

(A) Numerator

(1) Total HCI	_____
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(2) Non-Excl HCI _____

(3) (1)/(2) _____

(B) Denominator

(1) Total Non-HCI _____

(2) Non-Excl Non-HCI _____

(3) (1)/(2) _____

(C) Ratio Percent (A)/(B) x 100 _____

Non-HCI Concentration Percent

(A) Non-Excludible Non-HCI _____

(B) Non-Excludible Total _____

(C) Percent (A)/(B) _____

Safe Harbor Zone

Conclusively Safe _____

Conclusively Unsafe _____

Benefits and Contributions Test

<u>Plan Participants</u>	<u>Number</u>	<u>Annualized</u>		<u>Net Benefit Index</u>
		<u>Qualified Benefits</u>	<u>Participant Contributions</u>	
HCI	_____	_____	_____	_____
Non-HCI	_____	_____	_____	_____
Total	_____	_____	_____	_____

Comments

1. HCI means Highly Compensated Individual and includes any individual (a) who is an officer of the Employer, (b) whose annualized compensation exceeds the current IRC Section 414(q) limit or (b) is more than 5% shareholder (using IRC attribution rules).

Submitted Data