



The Value & Opportunity of ‘New Comparability’ Designs

New Comparability plans are well suited for companies that want to maximize retirement benefits for executives and other key employees. The best way to determine if a New Comparability feature is right for your client is to allow us to develop a customized illustration using census data for their company.

WHAT IS A ‘NEW COMPARABILITY’ ALLOCATION?

A New Comparability Allocation (also known as a Cross Tested or Class Based Allocation) allows an Employer/Plan Sponsor to allocate its discretionary profit sharing contribution in amounts and percentages that favor certain groups of employees, including owners and key employees.

▶ **As an example, rather than providing equal percentage contributions to everyone, an Employer (Owner) could provide themselves a 15% contribution, a 10% contribution to other key employees (Managers or Officers), and a 5% contribution for the remaining eligible participants.**

The flexibility of a New Comparability allocation allows the Employer to be creative and offer a more substantial benefit to select targeted employees, all on a discretionary basis without committing to an annual ongoing contribution.

HOW DOES IT WORK? HOW CAN THIS BE ‘NON-DISCRIMINATORY’?

The allocation needs to pass certain tests to be non-discriminatory. Each year our consultants will look at four key data points for each participant:

- (1) age;**
- (2) amount of contribution allocated;**
- (3) compensation; and**
- (4) ownership percentage**

URPC Insight:

In order for the allocation to pass required testing, those in the favored class who are highly compensated employees, should be closer to retirement than the majority of the remaining plan participants.

Through carefully designed actuarial models, your United Retirement consultant determines the projected retirement benefit provided by the current contribution percentage. They then test each participant’s relative benefits at retirement age and, if these benefits pass certain tests, the allocation is deemed non-discriminatory.

Changing the ConversationSM

At United Retirement Plan Consultants we know that cookie cutter ‘safe’ solutions are fine... when they’re fine. Many times, however, they do not maximize the opportunity for plan sponsors. Let United Retirement design a different future with you.