Testing & Reporting Services

Glossary

Fidelity INVESTMENTS

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I – In-Service Withdrawal, Independent Qualified Public Accountant, Individual Separate Account, Ineligible Employee, Integrated Profit Sharing, Interest Bearing Cash Investments, IRS

K – Key Employee

L – Large Plan Filer, Late Contributions, Leased Employee, Limitation Year, Limited-Scope Audit, Line of Credit, Liquidity, Look Back Compensation, Look Back Year

M – Mandatory Disaggregation, Mark-to-Market, Market Price, Master Trust, Maximum Deferral Limit Percent, Minimum Coverage Test (IRC 410(b)), Modified Cash Basis, Money Purchase Pension Plan, Mortgage-Backed Security (MBS), Multi-Employer Plan, Multiple-Employer Plan, Mutual Fund

N – NASDAQ, Net Asset Value Per Share, New Comparability, Non-Benefiting Employees, Non-Collectively Bargained Employee, NEC, Non-Excludable Employee, NHCE, Non-Integrated Profit Sharing, Non-Key Employee, Non-Resident Alien, Nonexempt Transaction, NYSE

O – Offering Price, Officer, Offshore Fund, Optimization, Orphan Match, Outside Asset, Over-The-Counter (OTC), Owner

P – Partial Plan Termination, Participant, Participant-Directed, Party-in-Interest, Permissive Disaggregation, Plan, Plan Administrator, Plan Balance – Top Heavy, Plan Disqualification, Plan Document, Plan Termination, Plan Year, Plan Year End Summary Reports, Point-in-Time Test, Pooled Separate Accounts, PPA Safe Harbor, Present Value of Accrued Benefit, Pre-Tax Elective Deferrals, Prior Year Testing Method, Profit Sharing Contribution, Profit Sharing Plan, Profit Sharing Plan with a 401(k) Feature, Prohibited Transaction, Projection Test, Prototype Plan, Puerto Rican Employee

Q – QACA, QMAC, QNEC, Qualified Plan, QSLOB, Qualifying Plan Assets, QVEC Accounts

R – Realized Gain/Loss, Recharacterization, Registered Investment Company, Regulated Financial Institution, Related Employer, Required Aggregation Group, ROE Authorization Form, Revalued Cost, Roth Deferral Contributions

S – Safe Harbor, Safe Harbor Analysis, Safe Harbor Matching Contribution, Safe Harbor Non-Elective Contribution, Safe Harbor Plan, Schedule A, Schedule C, Schedule D, Schedule G, Schedule H, Schedule I, Schedule R, Self-Directed Brokerage, Self-Employed, Service, Separate Account, Severance from Employment, Severance Pay, Shareholder-Employee, Short Limitation Year, Short Plan Year, Single Employer, Small Plan Audit Rule, Small Plan Audit Waiver, Small Plan Filer, Social Security Integration, Spin-Off, Status Code, Statutory Eligibility Requirements, SOC 1, Successor Plan, SAR, Summary of Net Trust Assets, Summary of Plan Operations

T – Tangible Personal Property, Test Compensation, Top Heavy Minimum, Top Heavy Plan, Top Heavy Ratio, Top Heavy Test, Top Paid Group, Top Paid Group Exclusion, Transfer of Assets to/from the Plan, Transitional Rule, Trial Balance, Trust, Trustee

U – U.S. Government Securities, Union Employee, Unit of Participation, Unitized Stock Fund, Unlisted Security, Unrealized Gain/Loss, Unrelated Employer, Unrelated Rollover, Unwind

V – Vesting Service

# #

(IRC) Internal Revenue Code

The (IRC) Internal Revenue Code of 1986 is the basic source of rules relating to federal tax matters.

1% Owner

In the case of a corporation, an employee is considered a 1% Owner if he/she (individually or together with certain family members - see Constructive Ownership) owns **greater than** 1% of the value of the outstanding stock or combined voting power of all stock of the Employer. Options to acquire stock (stock options) are considered, for purposes of this definition, to be owned by such person. If the employer is not a corporation, an employee is considered a 1% owner if he owns more than 1% of the capital or profit interests of the Employer.

103-12 Investment Entity

Two or more plans not part of a related group that pool their assets to invest in entities

3-Digit Plan Number

The three-digit number (in conjunction with the Employer Identification Number (EIN)) is used by government agencies to identify the plan; pension plans begin with 001 for a plan sponsor's first plan, and continue consecutively if other plans are added.

401(a)(4) General Test

This test is provided upon request, and at an extra cost, to plans with non-integrated participant groups, points, and integrated groups profit sharing. This test can be performed (after NDT has been completed) on a 3-year cycle, if no significant change occurs in the plan or demographics.

401(k) Contributions

Elective deferral contributions, which may be either pretax or designated Roth Contributions; generally subject to actual deferral percentage (ADP) test; participants over age 50 may also make additional 'catch-up' contributions.

401(m) Contributions

Contributions considered in the actual contribution percentage (ACP) test; generally these include employer matching contributions and employee after-tax contributions; they may also include qualified matching contributions and qualified non-elective contributions.

402(g) Limitation (IRC402(g))

The amount of employee deferral contributions an individual may elect to defer in a calendar year is limited by IRC section 402(g). Please note: this limit includes both employee pretax deferral contributions and Roth Deferral Contributions.

410(b) Average Benefit Test

See Average Benefit Test.

414(s) Compensation Testing

See compensation testing.

415 Compensation

Compensation used when applying the 415 Limitation; generally, this is considered gross compensation.

415 Limitation (IRC 415 (c)(1))

The amount of annual additions an employee receives from all defined contribution plans during each limitation year is limited by IRC 415(c)(1). This limit is an indexed amount and will periodically increase in $1,000 increments.

5% Owner

In the case of a corporation, an employee is considered a 5% owner if he (individually or together with certain family members - see constructive ownership) owns greater than 5% of the value of the outstanding stock or combined voting power of all stock of the employer. Options to acquire stock (stock options) are considered, for purposes of this definition, to be actual stock owned by such person. If the employer is not a corporation, an employee is considered a 5% owner if he owns more than 5% of the capital or profit interests of the employer.

80 – 120 Participant Rule

If the total number of participants at the beginning of the plan year for Form 5500, Line 5 is between 80 and 120, and a Form 5500 was filed for the prior plan year, the plan sponsor may elect to complete the return/report in the same category ('large plan' or 'small plan') as was filed for the prior return/report.

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NOTE: *The plan sponsor who is a large plan filer, generally, must engage the audit services of an independent qualified public accountant.*

A

ACA (Automatic Contribution Arrangement)

Plan arrangement which allows plan sponsors to automatically enroll eligible employees who otherwise do not elect out of participating in the plan; eligible employees will be automatically enrolled to defer a plan-defined percentage of compensation into the plan unless they either elect not to participate or make a different deferral election. The contributions will be invested in accordance with plan-defined investment elections unless the employee makes or has made other investment elections; arrangement may also include an automatic deferral increase feature.

Account Balance

For a single participant in a defined contribution plan, this is the dollar amount representing his or her share of the investments in the trust. For a defined contribution plan on a plan-level, this represents the total value of the investments in the trust.

Accountant's Opinion

The accountant's opinion, also known as the auditor's opinion, represents the determination of whether the plan's financial statements are fairly presented and in accordance with Generally Accepted Accounting Principles (GAAP); generally, required by plan's filing a Schedule H. Consult with your accountant for the opinion. The four opinion types provided by an independent auditor include:

1. Unqualified – Based on the auditing procedures followed, the independent qualified public accountant concludes the plan's financial statements present fairly the financial status of the plan and the changes in the plan's financial status are in conformity with Generally Accepted Accounting Principles (GAAP).
2. Qualified – Similar to the Unqualified Opinion, but differs because there are one or more matters relating to the financial statements. The qualifying matters will be further described in the auditor's opinion.
3. Disclaimer – If the accountant does not perform an audit sufficient in scope (limited scope) to form an opinion on the financial statements, the independent qualified public accountant will issue a disclaimer of opinion. Under DOL regulations, the plan administrator may restrict the auditor's examination of investments and investment related activity certified by banks, similar institutions, or insurance companies that are regulated and/or subject to periodic examination by a state or federal agency. This scope restriction results in a disclaimer of opinion.
4. Adverse – The independent qualified public accountant concludes that the financial statements do not present fairly, in all material respects, the financial status of the plan and the changes in its financial status in conformity with GAAP.

Accrual Basis of Accounting

The method of accounting that recognizes revenue when it is earned, rather than when received; also, expenses are recognized when incurred not when paid. For example, if contributions for a 12/31 PYE plan were withheld from participants in December but posted in January, they would be recorded as if they were received in December.

Actual Contribution Percentage (ACP)

To perform the ACP Test, the individual Actual Contribution Percentages for the highly compensated employee group and the non-highly compensated employee group must be calculated separately. The first step in the process is calculating each employee's contribution ratio, also known as the actual contribution ratio (ACR). Generally, the calculation for each employee is as follows: (employer matching contributions and employee after-tax contributions)/(test compensation). The next step is to average the ACRs for each group. This average, the ACP, is calculated as follows: (sum of all ACRs for the group)/(number of eligible employees in the group).

Actual Contribution Percentage (ACP) Test

The actual contribution percentage (ACP) test is required annually by the IRS. The purpose of this test is to demonstrate the plan does not discriminate in favor of highly compensated employees (HCEs), with respect to 401(m) contributions (employer matching contributions and/or employee after-tax contributions).

The ACP test must be performed and any corrections made within the 12 months following the end of the plan year or the plan could lose its tax exempt status. In addition, if the plan fails the ACP test, the plan sponsor may be assessed a 10% excise tax on the distributions required to correct the failed test. To avoid the excise tax, the plan sponsor must have the test completed, and make corrective distributions within 2 1/2 months after the end of the plan year, if a qualified matching contribution or a qualified non-elective contribution will not be used help the plan pass this test. For plans meeting the requirements for eligible automatic contribution arrangements (EACA) under IRC Section 414(w), this deadline is 6 months after the end of the plan year.

To satisfy the ACP test, a 401(k) plan must pass either the basic or the alternative test.

1. Basic Test: The ACP of the HCEs may not exceed 125% of the average ACP of the non-highly compensated employees (NHCEs). For example, if the HCE ACP is 7%, and the NHCE ACP is 5%, the plan fails the basic test (7% exceeds 125% of the NHCE ACP).
2. Alternative Test: The ACP of the HCEs may not exceed the lesser of: 2 percentage points above the NHCE ACP, or 200% of the NHCE ACP. For example, if the HCE ACP is 7%, and the NHCE ACP is 5%, the plan passes the alternative test (7% does not exceed the lesser of: the NHCE ACP plus 2, or the NHCE ACP times 2).

Actual Deferral Percentage (ADP)

To satisfy the ADP test, the individual deferral percentages for the highly compensated employee group and the non-highly compensated employee group must be calculated separately. The first step in the process is calculating each employee's deferral ratio, also known as the actual deferral ratio (ADR). Generally, the calculation for each employee is as follows: (employee pre-tax deferral contributions + Roth Deferral Contributions) / (test compensation). The next step is to average the ADRs for each group. This average, the ADP, is calculated as follows: (sum of all ADRs for the group) / (number of eligible employees in the group). If a plan fails the ADP test, generally excess contributions and related earnings are distributed to HCEs. Some plans use a special safe harbor design to automatically satisfy the ADP Test.

Actual Deferral Percentage (ADP) Test

The actual deferral percentage (ADP) test is required annually by the IRS. The purpose of this test is to demonstrate the plan does not discriminate in favor of highly compensated employees (HCEs) with respect to 401(k) contributions (employee deferral contributions).

The ADP test must be performed and any corrections made within the 12 months following the end of the plan year or the plan could lose its tax exempt status. In addition, if the plan fails the ADP test, the plan sponsor may be assessed a 10% excise tax on the distributions required to correct the failed test. To avoid the excise tax, the plan sponsor must have the test completed and make corrective distributions within 2 1/2 months of the end of the plan year, if a qualified matching contribution or a qualified non-elective contribution will not be used help the Plan pass this test. For plans meeting the requirements for eligible automatic contribution arrangements (EACA) under IRC Section 414(w), this deadline is 6 months after the end of the plan year.

To satisfy the ADP test, a 401(k) plan must pass either the basic or the alternative test.

1. Basic Test: The ADP of the HCEs may not exceed 125% of the ADP of the non-highly compensated employees (NHCEs). For example, if the HCE ADP is 7%, and the NHCE ADP is 5%, the plan fails the basic test (7% exceeds 125% of the NHCE ADP).
2. Alternative Test: The ADP of the HCEs may not exceed the lesser of: 2 percentage points above the NHCE ADP, or 200% of the NHCE ADP. For example, if the HCE ADP is 7%, and the NHCE ADP is 5%, the plan passes the alternative test (7% does not exceed the lesser of: the NHCE ADP plus 2%, or the NHCE ADP times 2).

Adoption Agreement

Part of a pre-approved plan that includes employer elected provisions such as eligibility requirements, vesting, contribution formula, etc.

Affiliated Service Group (IRC 414(m))

Two or more related service or management organizations that regularly perform management or other services for another member of the group are required to be aggregated for the compliance tests under 414(m). In the case of such aggregation, all members of the affiliated service group are considered to be one employer, and any reference to the employer includes all members of the affiliated service group.

There are two types of affiliated service groups:

1. Service Type - this exists when a service organization and at least one other service organization that is a shareholder/partner in the other organization regularly perform services for each other.
2. Management Type - this exists when one organization's principal function is to provide management functions to another organization.

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NOTE: *The rules for determining an affiliated service group are complex. Please consult with your accountant or attorney for further information and determination of your company's affiliated service group status.*

Allocation Compensation

Compensation eligible to be used for determining employer contributions; gross compensation minus the compensation exclusions elected in the document for the employer contribution.

In addition to compensation exclusions, First Year Compensation election should also be considered – this election allows for either 'entire plan year' or 'eligible portion year' compensation to be used when determining the employer contribution.

Review your plan document for the compensation exclusions, and/or, first year compensation election that are applicable to your plan.

Annual Addition

An employee's annual addition is the total of all contributions allocated to his account(s) in all defined contribution plans and simplified employee pension plans of the employer for a limitation year. This includes all employee contributions (pre-tax and after-tax), employer contributions and any forfeitures allocated to a participant's account during the limitation Year.

Participant contributions to cafeteria plans (Section 125 plans) are not considered annual additions. The amount of annual additions allocated to an employee is limited by IRC 415. This is known as the 415 Limitation.

Asked Price

A potential seller's lowest declared price for a security

Audit

Procedures conducted by an independent qualified public accountant in accordance with Generally Accepted Auditing Standards (GAAS) to determine if financial statements represent fairly the plan's financial status and changes in the plan's financial status in conformity with Generally Accepted Accounting Principles (GAAP) or Other Comprehensive Basis of Accounting (OCBOA).

Average Benefit Test 410(b)

A retirement plan must meet minimum coverage requirements under section 410(b) to retain the tax exempt status as a qualified retirement plan. A plan may use either the ratio percentage test or the average benefit test to comply with the minimum coverage requirements. Due to the complexity of the average benefit test, it is generally used only in the event a plan does not meet the minimum coverage requirements using the ratio percentage test.

B

Balance Forward

For conversion plans, the balance forward amount is the amount of the deposit(s) received from prior trusts. This amount includes all money to be allocated to participant accounts, forfeitures, and loan balances. This amount is reported on Fidelity's Plan Year End Summary of Plan Operations.

Beginning of Plan Year

The beginning of the plan year for purposes of reporting on the Form 5500 refers to the first day of the plan year.

Benefit Rights and Features
The availability of optional forms of benefits, ancillary benefits or other rights or features under a plan must not discriminate in favor of highly compensated employees. For example, if a plan provides for different match rates for different groups of employees, the plan would need to be tested to ensure that the availability of the different match rates does not discriminate in favor of highly compensated employees.

Benefit Payments
Benefit payments are payments made to participants or their beneficiaries from the plan. Also, loans in default for participants who have experienced a distributable event are considered benefit payments.

Benefiting Employees
An employee is considered to benefit in the employee deferral contribution portion of a plan if he/she is eligible to participate in the plan, regardless of whether or not he/she makes employee deferral contributions. An employee is considered to benefit in the employer matching contribution portion of the plan if he/she is eligible to make an employee after-tax contribution or if he/she is eligible to receive an employer matching contribution as a result of making an employee deferral contribution - even if the employee does not make an employee deferral contribution. An employee is considered to benefit in the employer discretionary contribution or ESOP portions of a plan if he/she receives an allocation for that contribution type for the plan year. Also, in a money purchase pension plan, an employee is considered to benefit if he/she receives an allocation for the plan year. An employee may be considered a Benefiting Employee for one contribution type but not necessarily for all contribution types.

Bid Price
The highest declared price a potential buyer is willing to pay for a security at a particular time

Business Codes (NAIC - North American Industry Classification)
Six-digit numbers designed to classify an enterprise by type of activity in which it is engaged

C

Cash Basis of Accounting
Method of accounting by which revenues and expenses are recorded when they are received and paid

Catch-Up Contributions
If the plan provides, a participant who has attained or is expected to attain age 50 before the close of the calendar year shall be eligible to make catch-up contributions to the plan in excess of an otherwise applicable plan or statutory limit. Catch-up contributions are subject to contribution limitations.

Employee contributions can only be considered catch-up contributions when they exceed one of the three limits: 415 Limitation, the plan Limit, 402g Limit, or to reclassify an ADP required distribution. The determination of when contributions are considered catch-up contributions is made at the end of the calendar year. Contributions considered catch-up contributions are removed before any testing takes place.

Collateralized Mortgage Obligation (CMO)

A mortgage-backed bond that separates mortgage pools into different maturity classes called tranches. Each tranche is then sold separately.

Collective Bargaining Agreement

An agreement between a bona fide employee representative and one or more employers who maintain a qualified plan; retirement benefits must be collectively bargained in order for an employee to be considered as subject to a collective bargaining agreement. If a plan allows these employees to participate in the plan, they must be identified and tested separately from the non-collective bargaining agreement employees.

Collectively Bargained Employee

An employee included in a unit of employees covered by an agreement that the Secretary of Labor finds to be a collective-bargaining agreement between employee representatives and one or more employers. This agreement must contain language evidencing that retirement benefits were the subject of good faith bargaining. This term may also be referred to as union employee.

Common/Collective Trust (CCT)

These are generally institutional investment funds established by a bank, trust company, or similar institution which is regulated and subject to periodic examination by a state or federal agency for the collective investment and reinvestment of assets.

Compensation for Employer Deferral Contributions

This is compensation as contained in the terms of the plan and the plan's definition(s) of compensation used as a basis for determining the amount of employee deferral contributions to be withheld from pay.

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> ***NOTE:*** *Compensation for employer deferral contributions for a newly eligible employee may begin on the first day of the plan year or may begin on the employee's entry date. This will be specified in the Plan's adoption agreement or plan document.*

Compensation Testing 414(s)

Certain definitions of compensation under IRC Section 414(s) are deemed to be nondiscriminatory (safe harbor definitions). If a plan elects to use a non-safe harbor definition of compensation for the plan, the compensation must be tested to ensure compensation does not discriminate in favor of highly compensated employees.

Compliance

For retirement plan purposes, this would include following the laws and regulations for all governmental organizations that have jurisdiction over any aspect of the plan.

Compliance Tests

Compliance Tests are required by the Internal Revenue Code to demonstrate that the plan does not discriminate in favor of employees who are generally the company's owners, officers, shareholders, and highly compensated employees. A plan sponsor must ensure that all applicable annually required nondiscrimination tests are performed and corrective action is taken in a timely manner to avoid potential plan disqualification. Generally, this includes the actual deferral percentage test, actual contribution percentage test, minimum coverage test, 402(g) limitation, 415 limitation, and top heavy tests.

! ***NOTE:*** *Other compliance tests may apply based upon the specific design of your plan. Please consult with your accountant or attorney to determine if you are subject to any additional compliance tests.*

Constructive Ownership (IRC 318)

The ownership attribution rules under IRC Section 318 state that spouses, lineal ascendants (parents and grandparents), and descendants (children) of an individual directly or indirectly owning stock are also considered owners. If a person is the beneficiary of a trust or partnership owning stock, or has the option to purchase stock directly, then he will be considered an owner.

Example: An individual owns 50% of a company which employs his son, father, and wife, all of whom are eligible employees. Due to the constructive ownership rules of IRC Section 318, the son, father, and wife are considered 5% owners and therefore are highly compensated employees regardless of their compensation.

Continuing Eligibility Requirements

A plan may require an eligible employee to meet requirements each year in order to receive an allocation of employer contributions, such as an employer matching contribution or employer discretionary contribution. Generally, the requirements are employment on the last day of the plan year and/or completion of a specified number of hours. If applicable, these requirements are set forth in the adoption agreement or plan document.

Contract Value

The value of an unallocated contract that is determined by the insurance company in accordance with the terms of the contract

Contribution Amount

The contribution amount is the amount of money contributed to a contribution source, for a specific date.

Contribution Data

A single term used to describe contribution amount, contribution date, contribution source and/or contribution total.

Contribution Date

The date contributions were updated to participants' accounts.

Contribution Source

The different types of contributions, as allowed under a plan document; contribution sources include, but are not limited to employee deferral contributions, employer matching contributions, employer discretionary contributions and qualified non-elective contributions.

Contribution Total

The total amount of money contributed to a contribution source, for a given period.

Controlled Group (IRC 414(b), IRC 414(c))

IRC 414 requires the aggregation of groups of employers or business under common control, based upon stock ownership, regardless of whether or not the controlling party provides input on how the business is operated.

There are two types of Controlled Group relationships, as defined in IRC 1563(a):

1. Parent-subsidiary - this exists if at least 80% of the stock of a company is owned by a parent or another organization.
2. Brother-sister - this exists if 5 or fewer individuals collectively own more than 80% of the stock of each brother-sister corporation. These same individuals would own more than 50% of the stock of each corporation, when considering only the identical common ownership in each corporation for each individual.

For example, IRC 414(b) references parent-subsidiary groups or brother-sister groups and IRC 414(c) references trades or businesses under common control. In the case of such aggregation, all members of the controlled group are considered to be one employer, and any reference to the employer includes all members of the controlled group.

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NOTE: *The rules for determining a controlled group are complex. Please consult with your accountant or attorney for further information and determination of your company's controlled group status.*

Corporate Transaction

Action taken by the employer that affects the composition of the employer's controlled group. This commonly includes asset and/or stock transactions relating to mergers, acquisitions, terminations, and spin-offs of other entities.

Corrective Action

With respect to compliance testing, a corrective action is required if a plan fails to satisfy any of the compliance tests. Such action may include making corrective distributions, forfeiting non-vested contributions of affected participants or, if the plan allows, making qualified employer contributions (qualified non-elective contributions or qualified matching contributions). Corrective actions may also be referred to as curing methods. Failing to take the necessary corrective action in a timely manner may subject the employer to penalties assessed by the IRS and/or the plan to disqualification.

Corrective Distributions

If a plan fails any of the IRS's annually required tests, the employer must take corrective action on a timely basis. This corrective action may result in certain distributions or forfeiture of excess amounts (including excess deferrals, excess contributions, excess aggregate contributions, excess annual additions, and orphan matching contributions) and earnings on these contributions.

Current Year Testing Method

When elected in your adoption agreement or plan document, the average actual deferral percentage (ADP) and (actual contribution percentage (ACP) of highly compensated employees (HCEs) for the plan year will be compared to the average ADP and ACP of the non-highly compensated employees (NHCEs) for the same plan year.

D

Date of Eligibility

The date an employee becomes eligible to participate in the plan, having completed the eligibility requirements set forth in the plan document or adoption agreement

Deemed Distribution

If a participant defaults on an outstanding loan balance and has not experienced a distributable event, the default becomes a deemed distribution and will be taxable to the participant in that year. For Form 5500 reporting, the loan is taken off the balance sheet and recorded as a deemed distribution expense on the income and expense statement.

Deferral Elections

Deferral elections are the amount of compensation (in dollars or percent) that a participant has elected to defer to the plan.

Delinquent Filer Voluntary Compliance Program (DFVC)

This DOL program is designed to encourage voluntary Form 5500 reporting by plan sponsors who have missed filing deadlines. It gives plan sponsors a way to avoid potentially higher civil penalty assessments by satisfying the program's requirements and voluntarily paying a reduced penalty amount.

Determination Date

Used for the top heavy test, the determination date is the last day of the preceding plan year. For new plans, the initial determination date is the last day of the first plan year.

Determination Year (DY)

Determination year refers to the plan year in which the compliance test is being performed.

In the case of excess deferrals, the determination year is the calendar year to which the excess deferrals relate. In the case of excess contributions and excess aggregate contributions, the determination year is the plan year to which such contributions relate. For excess annual additions the determination year is the limitation year to which such contributions relate.

The determination year is used to determine income or loss with respect to excess annual additions, excess deferrals, excess contributions and excess aggregate contributions.

Direct Filing Entity (DFE)

Master trust investment accounts (MTIA), common/collective trusts (CCT), insurance company pooled separate accounts (PSA), 103-12 investment entities (103-12 IE's), and group insurance arrangements (GIA) which file a Form 5500.

Discretionary Contribution

An employer contribution where the amount to be funded, if any, is determined each plan year, at the discretion of the employer

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NOTE: *Please refer to your adoption agreement or plan document to determine whether your plan has elected for discretionary contributions.*

Disqualified Person

According to IRC 4975, any of the following persons may not engage in transactions with the plan unless exempted:

1. Fiduciary
2. Service provider
3. Employer
4. Employee's representative
5. Substantial owner of employer or employees' representative
6. Family members
7. Certain substantially owned organizations
8. Certain officers, directors, owners or highly compensated employees
9. Certain partners
10. Entity owned by the plan

Distributions

Payment from a qualified plan to a participant (who has ceased to be employed with the employer) or beneficiary of all, or a portion of, their vested account balance; distributions do not include in-service withdrawals.

DOL

Department of Labor

E

EACA (Eligible Automatic Contribution Arrangement)

An EACA is an automatic contribution arrangement which meets three specific requirements: 1) the plan default (k) contribution must be a uniform percentage of compensation, 2) each eligible employee must be provided a notice of the employee's rights and obligations under the arrangement, and 3) the investment option under the plan into which the default (k) contributions are defaulted must be a QDIA, and the plan must otherwise satisfy the QDIA regulations. EACA plans may permissibly include an unwind provision and are the only type of automatic contribution arrangements that enable the employer to avoid excise taxes on ADP and ACP excesses distributed more than two and a half months but within six months of the end of the applicable plan year.

Earned Income

The net earnings of a self-employed individual derived from a trade or business for which services performed by the individual are a material income providing factor

EBSA

Employee Benefits Security Administration; a division of the Department of Labor

EFAST2 (ERISA Filing Acceptance System)

EFAST2 is an all-electronic system designed by the Department of Labor, Internal Revenue Service, and Pension Benefit Guaranty Corporation to simplify and expedite the submission, receipt, and processing of the Form 5500.

Elective Deferrals

See 401k contributions.

Eligibility Date

The date an employee becomes eligible to participate in the plan, having completed the eligibility requirements set forth in the plan document or adoption agreement.

Eligibility Requirement

The plan's stated age and service requirements to be met as a condition of participating in the plan

Eligibility Service

An employee's service taken into account in determining their eligibility to participate in the plan

Eligible Employee

An employee employed on the specified entry date coincident with or following satisfaction of the eligibility requirements specified in a plan; this includes any terminated employees who had met the requirement to participate for testing purposes.

Employee After-Tax Contributions

This refers to the amount of money withheld from a participant's paycheck and deposited to a retirement plan on an after-tax basis based on an election made by the participant; these contributions are subject to various nondiscrimination tests, including the actual contribution percentage (ACP) test and the 415 limitation.

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NOTE: *Roth Deferral Contributions, while deducted from employees' pay on an after-tax basis, are not considered after-tax contributions and are not tested in the ACP test; rather, Roth Deferral Contributions are tested in the ADP test.*

Employee Deferral Contributions

Elective deferral contributions, which may either be pretax or designated Roth Contributions. Generally subject to actual deferral percentage (ADP) test. Participants over age 50 may also make additional 'catch-up' contributions.

Employer

All members of a controlled group/affiliated service group required to be aggregated under IRC 414(b), 414(c), or 414(m) for the compliance tests and reporting purposes.

For determination as to whether the employer is part of a controlled group/affiliated service group, please consult with your accountant or attorney.

Employer Discretionary Contribution

A discretionary contribution made by the employer to eligible employees who have satisfied the requirements of the plan to receive this contribution for the plan year.

The employer discretionary contribution amount is typically determined at plan year-end. The contribution may be allocated via a variety of methods, but the most prevalent are: 1) Integrated with the Social Security Taxable Wage Base, or 2) In the ratio the participant's compensation bears to the total compensation paid to all eligible participants for the plan year.

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NOTE: *Please refer to the adoption agreement or plan document for determination of your plan's continuing eligibility requirements and the method of allocating the contribution.*

Employer Identification Number (EIN)

A nine-digit number assigned to sole proprietors, corporations, partnerships, estates, trusts and other entities for tax filing and reporting purposes.

Employer Match True-Up

Employer match true up is a calculation needed when employers fund their employer match throughout the plan year and also defines the match contribution period of "plan year".

Employer Matching Contributions

The contributions an employer makes to a retirement plan which are allocated to each participant based on employee deferral contributions or employee after- tax contributions.

These contributions are subject to various compliance tests, including the actual contribution percentage (ACP) test and the 415 limitation.

! ***NOTE:*** *Please refer to the adoption agreement or plan document for determination as to what requirements must be satisfied in order for a participant to receive an employer matching contribution.*

Employer Real Property

Real property and related personal property that is leased to an employer of employees covered by the plan; this property may be acquired by the plan or leased to the plan by the employer.

Employer Securities

Securities issued by an employer or an affiliate of the employer; may include common stocks, preferred stocks, bonds, zero coupon bonds, debentures, convertible debentures, notes and commercial paper.

Entry Date

The date(s) specified in an adoption agreement or plan document when an employee may become an eligible employee, and consequently, eligible to participate in the plan.

EPCRS (Employee Plans Compliance Resolution System)

EPCRS is the IRS correction program that permits plan sponsors to correct plan failures and thereby continue to provide their employees with retirement benefits on a tax-favored basis. The employer must obtain appropriate legal counsel when proceeding under EPCRS.

ERISA

Employee Retirement Income Security Act of 1974

ESOP (Employee Stock Ownership Plan)

ESOP is a type of qualified plan that is designed to primarily invest in qualifying employer securities.

Excess Aggregate Contribution

An employee has excess aggregate contributions for a plan year if his 401(m) contributions exceed the limit allowed under the actual contribution percentage (ACP) test. Only highly compensated employees can have excess aggregate contributions.

Excess Annual Addition

An employee has excess annual additions if his annual additions for a limitation year exceed the 415 limitation.

Excess Contribution

An employee has excess contributions for a plan year if his 401(k) contribution for a plan year exceeds the limit allowed under the actual deferral percentage (ADP) test. Note: Excess contributions may be comprised of employee pre-tax contributions and/or Roth deferral contributions. Your plan document dictates the order regarding which type of contributions will be refunded. Only highly compensated employees can have excess contributions.

Excess Deferral

An employee has excess deferrals for a calendar year if his employee deferral contributions for that calendar year exceed the 402(g) limitation. Excess deferrals must be distributed by the following April 15th to avoid double-taxation to the participant. If a participant has an excess deferral as a result of making employee deferral contributions to plans maintained by different employers, it is the
participant's responsibility to notify one or both of the plan administrators in accordance with plan rules in order to have excess deferrals and earnings distributed by April 15th.

!

NOTE: *Excess deferrals may be comprised of employee pre-tax contributions and/or Roth Deferral Contributions. Your plan document dictates the order regarding which type of contributions will be refunded.*

Excludable Employee

This is a term used in coverage and nondiscrimination testing. It refers to employees that are disregarded when identifying the employees that must be taken into account to determine whether the plan satisfies the coverage and nondiscrimination tests. The term is sometimes used to represent two different categories of employees. First, in general, an employee is excludable if the employee falls into any of the following categories:

1. Fails to satisfy the plan's eligibility requirements
2. Is a union employee
3. Is a non-resident alien without U.S. source income

Secondly, when a plan utilizes permissive disaggregation in coverage and nondiscrimination testing, eligible employees are further divided into non-excludable employees and excludable employees. These excludable employees will be shown as excludable on your test reports but they are sometimes referred to as 'otherwise excludable'. (See permissive disaggregation.)

F

Fair Market Value

The fair market value is the generally recognized, average value of an asset on a particular date. If there is no generally recognized market for the asset, its value is determined by an independent appraisal.

Fair Value
The amount the plan could reasonably expect to receive for a plan investment in a current sale between a willing buyer and a willing seller

Fidelity Bond
Generally, qualified retirement plans must have a Fidelity bond to cover the plan against losses resulting from fraud or dishonesty by plan officials. These bonds are sometimes referred to as an ERISA bond or a Surety bond. The amount of the bond must be fixed or estimated as of the beginning of each reporting year. [ERISA § 412; DOL Reg 29 CFR 2580]

The bonding requirement is 10% of funds handled. 'Funds handled' is calculated by adding the beginning plan assets for the reporting plan year + plan contributions + plan income. The bond must be for an amount at least equal to $1,000 with a maximum requirement of $500,000 per plan unless otherwise prescribed.

Effective for plan years beginning on or after January 1, 2007 the maximum bond amount has been increased to $1,000,000 for plan officials of plans that hold employer securities.

A Fidelity bond is issued by an insurance broker and has no connection to Fidelity Investments.

Fidelity Management Trust Company (FMTC)
FMTC was organized as a Massachusetts trust company in 1981 to provide fiduciary, investment management and administration services to institutional clients.

Fiduciary
A person exercising discretionary authority with regard to management of the plan or disposition of its assets; a person who renders investment advice for a fee to the plan or; a person who has any discretionary authority in the administration of the plan.

Fiduciary Breach
The failure to carry out the responsibilities and duties required of a fiduciary. A fiduciary breach can occur knowingly or unknowingly.

Final Form 5500
A final Form 5500, for terminated plans, must be filed 7 months following the month the plan assets are fully distributed. A final form 5500, for mergers/consolidations, must be filed 7 months following the legal transfer of assets and not the physical transfer of assets. For further details access the Department of Labor Form 5500 instructions at: www.dol.gov/ebsa.

Fit Assessment
A fit assessment is an analysis to determine if new comparability 'cross-testing' is a good fit for a plan.

Form 11-K Filing
Annual report for plans with interests in securities which are registered under the Securities Act of 1933

Form 5330 'Return of Excise Taxes Related to Employee Benefit Plans'

This is a form used to report the excise tax on:

- A minimum funding deficiency
- Nondeductible contributions to qualified plans
- Excess contributions to a section 403(b) custodial account
- A prohibited transaction
- A disqualified benefit provided by funded welfare plans
- Excess fringe benefits
- Certain ESOP dispositions
- Excess contributions to plans with cash or deferred arrangements
- Certain prohibited allocations of qualified securities by an ESOP
- Reversions of qualified plan assets to employers
- A failure to pay liquidity shortfall
- A failure of applicable plans reducing future benefit accruals to satisfy notice requirements.

The employer is responsible for filing this form in a timely manner with the IRS. Form 5330 and the instructions are located at: www.irs.ustreas.gov/formspubs/index.html.

Form 5500 'Annual Return/Report of Employee Benefit Plans'

The Form 5500 is required to be filed with the DOL annually. The Form 5500 reports information about the operations, funding, assets and investments of pension and other employee benefit plans.

Form 5558 'Application for Extension of Time To File Certain Employee Plan Returns'

This form is used to obtain a one-time extension of 2½ months to file the Form 5500, Form 8955-SSA or Form 5330.

Form 8955-SSA

Form 8955-SSA provides the pension plan information required by the Social Security Administration concerning separated participants with rights to future benefits; required by large plan files and small plan filers.

Former Key Employee

An employee who is no longer a key employee for purposes of the annual top heavy test

G

General Test 401(a)(4)

If employer contributions (not including matching contributions) and forfeitures are not allocated using one of the safe harbor allocation methods under IRC §401(a)(4), the allocation must be tested using the general test to ensure employer contributions do not discriminate in favor of highly compensated employees.

Gross Compensation

Gross compensation is used for a number of purposes within the plan, including the determination of whether an employee is a highly compensated employee within the meaning of section 414(q), determining compliance with the IRC Section 415 Limit on annual additions, determining minimum allocations to participants who are non-key employees under a top heavy plan under IRC section 416(c)(2), and for various purposes in determining deductible limits under section IRC Section 404. Gross compensation can also be used when performing the ADP and ACP tests.

Gross compensation must meet the requirements of IRC Section 415(c)(3). Generally, gross compensation will be defined within your plan document.

Guaranteed Insurance Contract (GIC)

A contract between an insurance company and a corporate pension plan that guarantees a specific rate of return on the invested capital over the life of the contract

H

Highly Compensated Employee

IRC 414(q) defines a highly compensated employee (HCE) as an employee who meets one or more of the following criteria:

1. During the determination year or the look back year, anyone who is a (greater than) 5% owner (see definition of 5% owner); or,
2. During the look back year, anyone who earned more than the annual allowable amount in gross compensation, as indexed pursuant to IRC Section 415(d)). If the top paid group election is made in the adoption agreement or plan document, the number of HCEs is limited to the top 20% of the employer's employees ranked by gross compensation who earned more than the annual allowable amount in gross compensation, as indexed pursuant to IRC Section 415(d)).

This definition applies when performing the compliance tests.

I

In-Service Withdrawal

Distributions made for a reason other than severance from employment, death, or disability.

Independent Qualified Public Accountant

The independent accounting firm or independent auditor hired to audit certain retirement plans and must be unrelated to the plan sponsor and the plan administrator.

Individual Separate Account
A separate account in which only one plan participates; also referred to as a separate-separate account

Ineligible Employee
An employee who has not met the plan's eligibility requirement by the last entry date in the plan year; see adoption agreement or plan document.

Integrated Profit Sharing
Integrated profit sharing is an additional annual calculation that may be used for plans that utilize Social Security Integration.

Interest Bearing Cash Investments
Investments which earn a stated rate of interest, such as money market accounts

IRS
Internal Revenue Service

K

Key Employee
IRC 416(i)(1) defines a key employee as any employee or former employee who at any time during the one year period ending on the determination date was:

1. A (greater than) 5% owner of the employer or a family member (spouse, grandparent, parent or child) of the 5% owner, regardless of their annual compensation (considering the constructive ownership rules of IRC Section 318).
2. A (greater than) 1% owner, having gross compensation from the employer of more than the annual allowable amount or a family member who had gross compensation more than the annual allowable amount (spouse, grandparent, parent or child) of the 1% owner (considering the constructive ownership rules of IRC Section 318).
3. An officer of the employer who had gross compensation in excess of the annual allowable amount, as indexed.

For the determination of a key employee the maximum number of officers is limited to 50 employees; or if lesser, the greater of 3 employees or 10 percent of all employees.

Example:

- Employers with 1-30 employees will have at least 1 but no more than 3 officers
- Employers with 31-500 employees will have no more than 10% of their employees considered officers
- Employers with 500 or more employees will have no more than 50 employees considered officers

L

Large Plan Filer

Generally, a plan that covered 100 or more participants as of the beginning of the plan year; schedules specific to large plan filers include Schedule C and Schedule H.

Late Contributions

Employee deferral contributions and loan repayments withheld from participants' compensation but not remitted to the plan's trust as soon as the assets can be reasonably segregated from the employer's general assets.

Leased Employee

An individual who provides services to the employer under an agreement with a third party, but is otherwise not an employee; the employee provides services according to an agreement with the employer, and has done so on a substantially full time basis for at least a year. In addition, these services are primarily directed and controlled by the employer.

For an individual to be treated as a leased employee the following conditions must be met:

1) The recipient must be paying a fee for the services of the individual. Service must be performed under an agreement between the recipient and a leasing organization, even if the agreement is informal.
2) The services must be performed for at least one year on a substantially full time basis. Substantially full time service means 1,500 hours in a 12-month period.
3) The recipient must have primary direction or control over the individual's services.
4) The leasing organization, not the recipient, must be the common law employer of the individual.

Limitation Year

A consecutive 12-month period designated by the employer in the adoption agreement or plan document; generally, all qualified plans of the employer must use the same limitation year. This is used for determining whether employees have exceeded the 415 limitation.

Limited-Scope Audit

DOL Regulation 2520.103-8 permits the plan sponsor to limit the scope of the audit for financial statements certified by a regulated financial institution. Note: Fidelity Management Trust Company (FMTC) is a Massachusetts chartered trust company, which is subject to state supervision and inspection. Therefore, the statements prepared and certified by FMTC would fall within the limited-scope audit exception. However, certain plans offering employer stock as an investment option may require a full-scope audit each year if employees have the option to invest in or sell employer stock in the plan. This may be verified with your accountant.

Line of Credit
An arrangement used to provide temporary liquidity for certain investment options (ex. unitized stock or stable value funds) with insufficient liquidity as a result of unexpected or unusual participant activity.

Liquidity
A measure of the ease with which a security trades in large blocks without a substantial drop in price

Look Back Compensation
Look back compensation is generally, gross compensation for the twelve-month period preceding the plan year being tested. This is used to determine highly compensated employees.

Look Back Year
The look back year is generally, the twelve-month period immediately preceding the first day of the plan year.

M

Mandatory Disaggregation
Certain plans must be treated as more than one plan for testing purposes. Plans subject to being mandatory disaggregation include:

- plans allowing both collectively bargained employees and non-collectively bargained employees to participate,
- plans allowing more than one employer from two Qualified Separate Lines of Business (QSLOBs) to participate,
- unrelated employer plans, and
- plans with different contribution types (e.g., employee deferral contributions and employer matching contributions) in the same plan, plans allowing both ESOP and non-ESOP contributions.

Mark-to-Market
A procedure to adjust the carrying value of a security, option or futures contract to fair value

Market Price
Usually the last reported price at which a security has been sold or, if the security was not traded or if trading prices are not reported, a price arrived at based on recent bid and asked prices

Master Trust
A trust, which holds the assets of more than one plan, sponsored by a single employer or by a group of employers under common control. A regulated financial institution serves as the trustee or custodian of this arrangement.

Maximum Deferral Limit Percent
This is the maximum percentage a participant may elect to defer under the terms of the plan.

Minimum Coverage Test (IRC 410(b))
The minimum coverage test is one of the compliance tests that are required annually by the IRS to ensure the plan does not discriminate in favor of highly compensated employees (HCEs). The minimum coverage test also known as the 'ratio percentage test' demonstrates that the plan benefits a percentage of non-highly compensated employees which is at least 70% of the percentage of highly compensated employees that are benefiting employees. The section 401(k), section 401(m), and profit sharing features of the plan must separately satisfy the coverage requirement. If a plan fails the minimum coverage test, the employer must take corrective action within 9 1/2 months after plan year end. This may require providing additional contributions to certain non-benefiting employees.

Modified Cash Basis
A system of accounting in which certain adjustments are made to the cash basis method that assigns revenues and expenses to the periods in which they were intended and not when received

Money Purchase Pension Plan
A money purchase pension plan is defined contribution plan with fixed contributions based on employee's compensation. It is subject to minimum funding requirements and distributions are subject to joint and survivor annuity rules.

Mortgage-Backed Security (MBS)
A pass-through security created by pooling mortgages and selling interests or participation in the MBS; the mortgage originator usually continues to service the underlying mortgages while passing through principal and interest payments received from the mortgages.

Multi-Employer Plan
A plan maintained under one or more collective bargaining agreements that cover the employees of more than one employer

Multiple-Employer Plan
A single plan maintained by more than one unrelated employer

Mutual Fund
See Registered Investment Company (RIC).

N

NASDAQ
An electronic quotation system for over-the-counter securities, which, for securities traded on the NASDAQ National Market System, reports prices and shares or units of securities trades in addition to other market information

Net Asset Value per Share
The value per share of outstanding capital stock of an investment company, computed (usually daily by mutual funds) by dividing net assets by the total number of shares outstanding

New Comparability
New comparability is an additional analysis that may be requested by plans with cross tested groups election. This analysis includes an annual and mid-year projection calculation and other additional testing.

New York Stock Exchange
The NYSE is the largest securities exchange in the United States. The NYSE also furnishes facilities for its members, allied members, member firms and member corporations to aid them in conducting securities business.

Non-Benefiting Employees
An individual who does not meet the definition of either being a benefiting employee or an excludable employee

Non-Collectively Bargained Employee
Any employee whose benefits are not collectively bargained; this term may also be referred to as non-union employee.

Non-Elective Contribution (NEC)
Contributions made to a participant's account by the employer; employer determines the contribution amount, may be fixed or discretionary defined by plan design. The contributions are not conditioned on the participant making employee pre-tax or after tax contributions. Participants are not allowed to receive the cash equivalent.

Non-Excludable Employee
An employee who is not an excludable employee for purposes of certain compliance tests

Non-Highly Compensated Employee (NHCE)
Any employee who is not a highly compensated employee

Non-Integrated Profit Sharing
Non-integrated profit sharing is an additional annual calculation a plan may request to assist in the determination of allocating the employer contribution to plan participants.

Non-Key Employee
Any employee who is not a key employee

Non-Resident Alien
An employee is considered a nonresident alien if the individual is neither a citizen of the United States nor a resident of the United States.

Nonexempt Transaction

Any transaction prohibited between the plan and a party in interest according to provisions within ERISA and the Internal Revenue Code. A common example would include late contributions. For further details, reference IRC 4975 and ERISA Sections 406, 407, and 408.

O

Offering Price

The price at which mutual fund shares or investment trust units can be bought, often equaling net asset value plus a sales load

Officer

Used in determining key employees for top heavy testing, the term 'officer' refers to anyone who has the responsibilities and the authority of an officer at any time during the plan year. He or she may not necessarily have the title of an officer.

IRC 416(i)(1)(A) provides limits on the number of people who may be considered officers. No more than 10% of all employees can be considered officers, to a maximum of 50. If there is more than the maximum number of officers, then the employer should select officers as key employees in descending order of compensation.

Offshore Fund

An investment company organized outside the United States

Optimization

Optimization is a method used when a plan uses current year testing rates for the actual contribution percentage (ACP) test and the ACP test initially fails. This method provides that percentages from a passing actual deferral percentage (ADP) test can be shifted into the ACP test to minimize the level of failure or help it pass altogether. The shifting process involves the movement of percentages only, and contribution dollars are not affected. Because optimization is not permitted if it results in ADP test failure, the ADP and ACP tests are rerun after the shifting process is complete. Optimization is provided for in Treasury regulation section 1.401(m)-2(a)(6)(ii).

Orphan Match

Employer matching contributions required to be forfeited due to failure of the actual deferral percentage (ADP), actual contribution percentage (ACP), annual additions limit or 402(g) limitation tests. Orphan matching contributions represent the matching dollars attributed to excess contributions (failure of the ADP test) excess aggregate contributions (failure of the ACP test), excess annual additions (415 limitation test) or excess deferrals (failure of 402(g) test). The earnings associated are also forfeited. Employer match contributions attributed to excess amounts reclassified as catch-up contributions may also be forfeited if catch-up contributions are not matched.

Outside Asset
Any asset held by a plan for which Fidelity Management Trust Company (FMTC) is not the trustee or custodian.

Over-the-Counter
A market for securities of companies not listed on a stock exchange and traded mainly by electronic communications such as NASDAQ or by phone; the over-the-counter market is the principal market for U.S. government bonds and municipal securities.

Owner
An owner is an individual who owns the business directly or indirectly. (See 1% and 5% owner.)

P

Partial Plan Termination
Generally, this can occur any time an employer experiences a significant reduction in its work force or amendment to the plan that would eliminate coverage for a previously covered group. Partial plan terminations are determined based on the facts and circumstances of the employer's situation; affected participants become 100% vested.

Participant
An employee who is eligible to be covered by the plan and is earning or retaining credited service under the plan, whether or not they are actively contributing; includes retired or separated employees and beneficiaries who are receiving benefits or have a deferred vested benefit in the plan.

Participant-Directed
Investment allocations which are directed by the participant and not by the plan sponsor

Party-in-Interest
According to ERISA, any of the following:

1. fiduciary, (including, but not limited to, any administrator, officer, trustee, or custodian), counsel, or employee of the plan,
2. service provider,
3. employer,
4. employees' representative,
5. substantial owner of employer or employees' representative,
6. relatives,
7. certain substantially owned organizations,
8. certain employees, officers, directors, or owners,
9. partners and joint ventures.

Please refer to [ERISA § 3(14)] for more details of this definition including exemptions to the rule.

Permissive Disaggregation

The IRS allows the actual deferral percentage (ADP) test, actual contribution percentage (ACP) test and minimum coverage test to use a method called permissive disaggregation. Often, this method provides more beneficial compliance test results. Permissive disaggregation can be used when the plan's eligibility requirements are more lenient than the statutory eligibility requirements (one year of service and attainment of age 21). It involves separating the eligible employee group into two sub-groups: those eligible employees who meet the statutory eligibility requirements (often referred to as non-excludable employees), and those employees who do not meet the statutory eligibility requirements (referred to as excludable employees or otherwise excludable employees). The ADP, ACP and 410(b) minimum coverage tests are then performed on each sub-group independently.

Plan

An arrangement established by an employer, between the employer and employees, to provide retirement benefits through the deposit of employer and employee contributions and income earned on these deposits.

Plan Administrator

Any entity/person designated by the terms of the plan under which the plan is operated. Generally, the plan administrator is the employer. Please refer to your adoption agreement or plan document to identify the plan administrator.

Plan Balance - Top Heavy

The total plan asset balance of all plans in the required aggregation group, including all distributions made during the twelve month period ending on the determination date and all in-service withdrawals for the five-year period ending on the determination date; this balance does NOT include unrelated rollovers.

Plan Disqualification

Loss of favorable tax status; disqualification may result in penalties and taxes to be paid by the employer and potentially, taxation of benefits on a participant level.

Plan Document

The written document setting forth the provisions of a retirement plan, such as eligibility and vesting requirements, determination of benefits, and distribution of benefits

Plan Termination

Typically occurs when the plan sponsor takes the appropriate action by Board of Directors resolution for a corporation, or similar action for a partnership or sole proprietorship to terminate the plan.

Plan Year

Generally, the 12 consecutive month period specified in the plan's adoption agreement or plan document

Plan Year End Summary Reports (PYES)
Detailed, plan-level financial activity as recordkept by Fidelity for the plan year

Point-in-Time Test
A form of projection testing where the projected compliance test results are determined with year to date information only; the prospective piece of a projection test is omitted when performing a point-in time test.

Pooled Separate Accounts
Insurance investment accounts which hold the assets of more than one plan however allocate specific units of participation to each of the plans; maintained by insurance carriers and regulated by state agencies.

PPA Safe Harbor
The Pension Protection Act created an optional new safe harbor configuration (also known as QACA Safe Harbor Plan or NDT Safe Harbor Plan) effective January 1, 2008. A QACA or PPA Safe Harbor plan must generally satisfy the regular 401(k) safe harbor rules as well as additional requirements as outlined in PPA Sec. 902(f). If the requirements of the PPA (QACA) Safe Harbor are satisfied, the plan will be deemed to have satisfied the ADP and ACP tests, and in certain cases the top heavy rules.

Present Value of Accrued Benefit
In a defined benefit plan, the current value of what a participant's payout will be under the terms of the plan

Pre-Tax Elective Deferrals
Amounts contributed based on the employee's election which are excludable from the employee's gross income at the time they are deferred

Prior Year Testing Method
When elected in your adoption agreement or plan document, the average actual deferral percentage (ADP) and actual contribution percentage (ACP) of highly compensated employees (HCEs) for the plan year shall be compared to the average ADP and ACP of non-highly compensated employees (NHCEs) for the immediately preceding plan year.

Generally, for the first plan year of a new plan or the first year of a newly added 401(k) or 401(m) feature the employer can assume a prior year ADP and/or ACP for NHCEs of 3% for (only) the newly added feature if prior year rates have been elected in the adoption agreement or plan document.

In order for a plan to change testing methods certain requirements must be met and the plan must be formally amended to reflect the change. In general a plan can change from the prior year testing method to the current year testing method. However, once the current year testing method has been selected the plan is required to keep the current year testing method for a minimum of 5 years. There are certain exceptions for mergers and acquisitions, where a plan sponsor might maintain two plans with different testing methods.

Profit Sharing Contribution (Non-Elective Contribution)

A non-elective contribution made to a participant's account by the employer based on plan design. The contributions are not conditioned on the participant making any pre-tax or after tax contributions. Participants are not allowed to elect to receive the cash equivalent.

Profit Sharing Plan

A defined contribution plan where the contribution formula (how much will be funded) may or may not be fixed, but the allocation formula (how the contribution is allocated) is fixed. Unlike a money purchase pension plan, a profit sharing plan is not subject to minimum funding requirements and distributions are generally not subject to joint and survivor annuity rules.

Profit Sharing Plan with a 401(k) Feature

A profit sharing plan that may allow employee deferral contributions, employee after-tax contributions or employer matching contributions; this type of plan is usually referred to as a 401(k) plan.

Prohibited Transaction

ERISA and IRS provisions prohibit parties-in-interest and disqualified persons respectively from engaging in certain direct and indirect transactions.

The DOL may sanction the fiduciary for any loss to the plan, and excise taxes could be imposed under the IRC as a result of prohibited transactions.

Please refer to ERISA 406 and IRC Section 4975 for specific definitions of prohibited transactions.

Projection Test

The process of projecting a year-end compliance test through the end of the plan year; the projection is based on year to date activity, plus prospective information about each participant, such as rate of pay, remaining pay periods and employee deferral contribution percentage elected. The results could help the plan sponsor make adjustments through the remaining portion of the plan year in order to avoid or minimize the degree that the plan may fail the actual deferral percentage test or the actual contribution percentage test. This term may also be known as mid-year testing.

Prototype Plan

An IRS pre-approved, qualified plan written to satisfy various tax requirements set by the IRC

Puerto Rican Employee

Any employee who is a resident of Puerto Rico

Q

QACA (Qualified Automatic Contribution Arrangement) Safe Harbor

The Pension Protection Act created an optional new safe harbor configuration (also known as PPA Safe Harbor Plan or NDT Safe Harbor Plan) effective January 1, 2008. A QACA or PPA Safe

Harbor plan must generally satisfy the regular 401(k) safe harbor rules as well as additional requirements as outlined in PPA Sec. 902(f). If the requirements of the QACA (PPA) Safe Harbor are satisfied, the plan will be deemed to have satisfied the ADP and ACP tests, and in certain cases the top heavy rules.

Qualified Matching Contribution (QMAC)

Employer matching contributions fully vested and subject to the same restrictions on distributions as employee deferral contributions; qualified matching contributions may be tested in either the actual deferral percentage (ADP) or actual contribution percentage (ACP) test.

Qualified Non-Elective Contribution (QNEC)

Qualified non-elective contributions are contributions made by an employer which are fully vested and subject to the same distribution rules as employee deferral contributions. These contributions may be used to improve or correct a failed actual deferral percentage (ADP) or actual contribution percentage (ACP) test.

Qualified Plan

A plan afforded special tax treatment for satisfying the requirements of the IRC

Qualified Separate Line of Business (QSLOB)

To be considered a Qualified Separate Line of Business under IRC Section 414(r) a business must:

1. Be formally organized as a separate organizational unit of the employer
2. Be operated as a separate profit center within the employer
3. Maintain its own separate work force
4. Maintain its own separate management
5. Employ at least fifty (50) individuals
6. Notify the IRS that it is applying the QSLOB rules

A plan that is a Qualified Separate Line of Business may have compliance tests performed differently than plans not considered part of a QSLOB. Consult with your accountant or attorney for further assistance.

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***NOTE:** The determination of whether an organization meets the QSLOB rules is very complex. You should consult with your accountant or attorney for further assistance in making this determination.*

Qualifying Plan Assets

For purposes of a small plan audit waiver, the following plan assets are considered qualifying if held by certain regulated financial institutions:

- Employer securities
- Participant loans

- Assets held by banks, insurance companies, broker-dealers, or another organization authorized to hold assets
- Mutual funds
- Investment and annuity contracts issued by an insurance company

These assets must be maintained in the individual account of a participant over which the participant has the opportunity to exercise control and in which the participant gets a statement of assets at least once a year. All other assets are considered non-qualifying assets. See DOL Reg § 2520.104-46 and small plan audit waiver at the following link to the EBSA website http://www.dol.gov/ebsa/faqs/faq_autidwaiver.html.

QVEC Accounts
An account to hold deductible employee after-tax contributions funded to a qualified plan in lieu of establishing an IRA to receive the funds. The contribution is determined to be a qualified voluntary employee contribution if the contribution is not mandatory, the plan accepts deductible employee contributions, and the contributions are not designated as nondeductible by the participant.

R

Realized Gain/Loss
The actual gain or loss on the sale of a security or other asset

Recharacterization
When elected in your plan document, along with the election to permit employee after-tax contributions, employee deferral contributions that give rise to excess contributions can be re-characterized such that they will be included in the affected employee's taxable income in the tax year the employee deferral contributions would have been received by the employee, had the employee originally elected to receive the amounts in cash. The re-characterized employee deferral contributions are treated as employee after-tax contributions for purposes of the ACP test.

Registered Investment Company
This is an investment company (such as a mutual fund) which files a registration statement with the Securities and Exchange Commission. It must meet all the requirements of the Investment Company Act of 1940.

Regulated Financial Institution
A bank, trust company, or similar financial institution, which is regulated, supervised, and subject to periodic examination by a state or federal agency.

Related Employer
An employer part of a group of companies under common control per the Internal Revenue Code (See controlled group and affiliated service group.)

Required Aggregation Group

Required aggregation group means:

1. Each qualified plan of the employer in which at least one key employee participates, or has participated at any time during the determination year ending on the determination date (regardless of whether the plan has terminated), and
2. Any other qualified plan of the employer which enables the plan to meet the requirements of Code Section 401(a)(4) or minimum coverage under IRC Section 410(b).

Return of Excess (ROE) Service Request

This type of PSW® Service Request initiates corrective distributions due to failed tests. It should be submitted back to Fidelity Investments after reviewing the compliance test results.

Revalued Cost

Current or fair value of the plan asset at the end of the prior plan year

Roth Deferral Contributions

Roth Deferral Contributions differ from traditional employee pre-tax deferral contributions. Designated Roth Deferral Contributions are deducted from employees' pay on an after-tax basis; therefore, their wages are taxed as regular income before being deferred to the participants' accounts. Upon qualified distribution, however, Roth Deferral Contributions and earnings are paid out tax-free. Roth Deferral Contributions are combined with employee pre-tax contributions for purposes of calculating the 402(g) limit, and the catch-up limit. They are tested in the ADP test along with employee pre-tax contributions.

S

Safe Harbor (Traditional)

A plan sponsor may be deemed to automatically satisfy the annual actual deferral percentage (ADP) and actual contribution percentage (ACP) tests generally through a designed-based safe harbor by making an election in the adoption agreement or plan document, providing notice to its employees, and making either a safe harbor matching contribution or a safe harbor non-elective contribution for the plan year.

> ! ***NOTE:*** *There are two types of safe harbor plans: Traditional and QACA (aka Safe Harbor or NDT Safe Harbor).*

Safe Harbor Analysis

An additional testing service which analyzes the various safe harbor costs which enables the plan sponsor to determine if it is cost effective to elect a safe harbor provision for the plan year.

Safe Harbor Matching Contribution
An employer matching contribution that meets the requirements of a safe harbor plan; safe harbor matching contributions are immediately 100% vested and are subject to the same restrictions as distributions of employee deferral contributions.

Safe Harbor Non-Elective Contribution
An employer contribution made to a plan that meets the requirements of a safe harbor plan. safe harbor contributions are immediately 100% vested and subject to the same restrictions as distributions of employee deferral contributions.

Safe Harbor Plan
A plan sponsor may be deemed to automatically satisfy the annual actual deferral percentage (ADP) and actual contribution percentage (ACP) tests (in most instances) through a designed-based safe harbor by making an election in the adoption agreement or plan document, providing notice to its employees, and making either a safe harbor matching contribution or a safe harbor non-elective contribution for the plan year.

Examples of design based safe harbor contribution formulas are a 3% qualified non-elective contribution or a qualified matching contribution representing at least 100% of the first 3% of employee deferral contributions, plus 50% of the next 2% of employee deferral contributions.

Schedule A
Schedule of Form 5500 that reports plans with the following types of investments: insurance, annuities, and/or investment contracts; only required by plans holding these types of investments.

Schedule C
Schedule of Form 5500 that reports persons who rendered services to or had transactions with the plan during the reporting years that received directly and/or indirectly equal to or greater than $5,000 in reportable compensation; also to be used to report the termination of accountants and enrolled actuaries; only required by large plan filers.

Schedule D
Schedule of Form 5500 that reports plans that hold common/collective trusts, pooled separate accounts, and/or master trust investments accounts; required by any plan with these types of holdings.

Schedule G
Schedule of Form 5500 that reports details of the following types of plan transactions: loans, fixed income obligations, or leases in default or uncollectable and nonexempt transactions; required to be filed by large plan filers with these type transactions.

Schedule H
Schedule of Form 5500 that includes financial statements and related information; required for large plan filers

Schedule I
Schedule of Form 5500 that includes financial statements and related information; required for small plan filers

Schedule R
Schedule of Form 5500 that provides information on pension plans, including plan distributions and funding requirements; required by large plan filers and small plan filers

Self-Directed Brokerage
A plan feature allowing participants the opportunity to invest in individual securities

Self-Employed
Owners and partners of a business that report self-employment income on their personal federal tax returns due to their ownership/partnership interest in a company.

Separate Account
A special account established by an insurance company solely for the purpose of investing the assets of one or more plans; funds in a separate account are not commingled with other assets or the insurance company for investment purposes. A separate account may be an individual separate account or a pooled separate account.

Service
The amount of time an employee (participant) is employed with a company

Severance from Employment
Voluntary or involuntary separation from employment

Severance Pay
Compensation provided by the employer to a former employee (includes a layoff, job elimination or mutual separation). The plan document language controls the treatment of severance payments. Generally, any payments for which the participant did not provide any services to the employer are not considered compensation.

Shareholder-Employee
An individual who owns the business directly or indirectly. (See 1% and 5% Owner)

Short Limitation Year
A limitation year of less than 12 months

Short Plan Year
A plan year of less than 12 months; typically a short plan year exists when a plan year end has been changed.

Single Employer
An employer of a single corporation, partnership, or sole proprietorship; a single employer plan also includes a plan covering the employees of one employer in a controlled group, or group of employers under common control.

Small Plan Audit Rule
Qualified plans generally having less than 100 participants are not required to have a third party audit performed. This pertains to the completion and filing of the Form 5500 and Schedule I. However, a small plan must meet certain conditions to be exempt from the audit requirement. (See small plan audit waiver.)

Small Plan Audit Waiver
In addition to being a small pension plan filing the Schedule I, there are three basic requirements for a small pension plan to be eligible for the audit waiver:

First, as of the last day of the preceding plan year at least 95% of a small pension plan's assets must be 'qualifying plan assets' or, if less than 95% are qualifying plan assets, then any person who handles assets of a plan that do not constitute 'qualifying plan assets' must be bonded in an amount that at least equal to the value of the 'non-qualifying plan assets' he or she handles.

Second, the plan must include certain information in the Summary Annual Report (SAR) furnished to participants and beneficiaries in addition to the information ordinarily required.

Third, in response to a request from any participant or beneficiary, the plan administrator must furnish without charge copies of statements the plan receives from the regulated financial institutions holding or issuing the plan's 'qualifying plan assets' and evidence of any required fidelity bond.

Small Plan Filer
Plans with less than 100 eligible participants on the first day of the plan year or an existing plan that has filed as a small plan filer in the previous year (See 80-120 Participant Rule.)

Social Security Integration
Social Security Integration is a calculation that may be needed for a plan allowing employees who earn compensation above the wage base the ability to receive an additional percentage of the employer's profit sharing. The additional percentage is based upon an integration level pre-selected and the amount allocated to all employees in the plan.

Spin-Off
Splitting of a single plan into two or more plans

Status Code
The status code refers to the nature of a participant's employment, i.e., active, retired, terminated, etc.

Statutory Eligibility Requirements
Guidelines determined by the IRC for a qualified plan's minimum age and service requirements. Generally, a plan may not require an employee to reach an age greater than 21 and/or complete more than a year of service to be eligible for the plan.

SOC 1
SOC 1 is the standard for reporting on controls at service organizations.

Successor Plan

A plan is deemed to be a successor plan if 50% or more of the eligible employees for the first plan year (of the successor plan) were eligible employees under another section 401(k) of 401(m) plan maintained by the employer in the prior year. This definition differs from that of a successor plan for a defined benefit plan.

Summary Annual Report (SAR)

This is a summary of the financial activity that occurred in the qualified plan during the plan year. The SAR must be distributed to each participant and beneficiary of a deceased participant with benefits under the plan within nine months after the close of the plan year. If an employer obtains an extension of time to file Form 5500, the SAR must be distributed within two months after the end of the extension period.

Summary of Net Trust Assets

This summary reports the year-end share balance, price and total market value for each investment option in an employer's plan, for the period the assets were recordkept by Fidelity.

Summary of Plan Operations

Reports in detail, for each investment option, the annual financial activity in dollars and shares/units for the period the assets were recordkept by Fidelity.

T

Tangible Personal Property

Property that has physical existence and is capable of being processed, such as goods, wares, merchandise, furniture, machines, equipment, etc.

Test Compensation

Compensation used to perform the actual deferral percentage (ADP) test and the actual contribution percentage (ACP) test. This compensation must meet the requirements of code section 414(s). For the plan year in which an employee first becomes an eligible employee, the employer may elect to use only test compensation earned from the date of eligibility if allowed under the plan document.

! ***NOTE:*** *Please refer to your adoption agreement or plan document to determine which compensation to use for the year in which an employee first becomes eligible.*

Top Heavy Minimum

An additional annual calculation service which determines the contribution to be made when a plan is deemed to be top heavy; generally, a minimum contribution of 3% of gross compensation is required to be allocated to all non-key employees employed on the last day of the plan year.

Top Heavy Plan

A qualified plan or qualified plans within the required aggregation group having a top heavy ratio greater than 60%

Top Heavy Ratio

The value of the key employees' accrued benefits divided by the value of all employees' accrued benefits, determined as of the determination date. Accrued benefits are account balances in a defined contribution plan or the present value of accrued benefit in a defined benefit plan, plus in-service withdrawals made during the five-year period ending on the determination date and other distributions made during the one-year period ending on the determination date.

Top Heavy Test (IRC 416)

An annual compliance test required to determine if a plan is a top heavy plan; a plan is considered to be a top heavy plan if more than 60% of the participant account balances are for the benefit of key employees as of a determination date.

If an employer's plan is deemed to be a top heavy plan, the employer is required to make minimum contributions equal to the highest allocation percentage made to the account of a key employee, up to a maximum of 3% of compensation to all non-key employees. Employer matching contributions may be used to offset the minimum contribution.

Top Paid Group

The top paid group is the top 20% of the employer's employees ranked by compensation in the look back year. Electing to use the top paid group may minimize the number of highly compensated employees (HCEs). The top paid group election must apply consistently to all plans of the employer. Top paid group excludable employees may be used to reduce further the number of employees who may be HCEs.

Top Paid Group Exclusion (or Top Paid Group Excludable)

Employees who meet the following criteria can be excluded from being considered as employees of the employer for the top paid group:

- Employees who have not completed 6 months of service by the end of the year
- Employees who normally work less than 17 ½ hours per week during the year
- Employees who normally work six months or less during any year
- Employees who are not age 21 by the end of the year
- Certain non-resident aliens
- Union employees are excluded only if they constitute 90 percent of the employer's workforce and the retirement plan covers only non-union employees

By considering employees meeting the top paid group exclusion criteria, the number of highly compensated employees (HCEs) may be reduced.

Transfer of Assets to/from the Plan

The value of all transfers of assets or liabilities into or out of the plan resulting from, among other things, mergers and consolidations; A transfer of assets or liabilities occurs when there is a reduction of assets or liabilities with respect to one plan and the receipt of these assets or the assumption of these liabilities by another plan. A transfer is not a distribution of all or part of an individual participant's account balance that is reportable on Form 1099-R. A transfer is not a shifting of one plan's assets or liabilities from one investment to another.

Transitional Rule

The transitional rule is optional and is intended to provide time for a plan sponsor to consider what coverage or other plan changes will need to be completed for the sponsor's plans to continue to satisfy the minimum coverage requirements following an acquisition or disposition.

By applying the transitional rule, a plan may be treated as satisfying minimum coverage up to the end of the plan year following the acquisition/disposition if it satisfies coverage immediately before the acquisition or disposition and there is no significant change in the plan or coverage of the plan other than the acquisition or disposition.

Trial Balance

A report summarizing the plan level activity for the period in dollars, shares, and units for all investment options recordkept by Fidelity. The summary includes, but is not limited to the following:

- Beginning balance
- Contributions
- Earnings
- Exchanges
- Loan activity
- Distributions
- Ending balance

Trust

All assets of the plan must be covered by a trust which is a funding vehicle for qualified plans and created by the employer. If Fidelity does not trustee the assets, a "separate trust" must be drafted and maintained. A qualified trust is exempt from federal income tax, subject to exceptions for unrelated business taxable income.

Trustee

The trustee is the person named in the trust as the trustee, or who is appointed as trustee by a named fiduciary. The trustee has exclusive authority and discretion to manage and control the assets of the plan, unless the trustee is subject to the investment directions of a named fiduciary, an investment manager, or the plan participants.

U

U. S. Government Securities

Securities issued by U.S. Government agencies

Union Employee
An employee who is included in a unit of employees covered by a collective bargaining agreement, as defined by the Secretary of Labor, between employee representatives and one or more employers. This term may also be referred to a collectively bargained employee.

Unit of Participation
An undivided interest in the underlying assets of a trust

Unitized Stock Fund
A qualified employer security, which is blended with a short-term cash component

Unlisted Security
A security not listed on a securities exchange

Unrealized Gain/Loss
The change in value of an asset purchased but not yet sold

Unrelated Employer
An employer who is NOT part of a group of companies under common control per the Internal Revenue Code (See controlled group and affiliated service group)

Unrelated Rollover
An unrelated rollover is a transfer of funds, at the request of any employee, to the employer's plan from a plan maintained by an unrelated employer. (See controlled group and affiliated service group.)

Unwind
Plan level permissive withdrawal option which allows a participant to request a withdrawal of automatic enrollment contributions (inclusive of any market gains/losses) for a period of 90 days from the date of the first automatic enrollment contribution. Upon enabling this service the unwind effective date (beginning) must be specified; this is the first date the unwind service is active for the plan and available to employees. A plan must meet the EACA configuration in order to offer the unwind service.

V

Vesting Service
An employee's service taken into account in determining their vested interest in his matching employer and non-elective employer contributions accounts