



419A(f)(6)
Qualification

**5-Pronged Test for qualification under
419A(f)(6).**

5 Tests:

- 1) Must be a single plan
- 2) a plan to which more than one employer contributes
- 3) a plan to which no employer normally contributes more than 10% of the total contributions to the plan.
- 4) a plan that does not maintain an experience-rating arrangement with respect to any individual employer
- 5) a plan that is maintained pursuant to a written document that requires the plan administrator to maintain records sufficient for the IRS or any participating employer to readily verify that the plan satisfies the requirements of 419A(f)(6) of the code and the requirements of the Proposed Regulations.

Test 1:

Test: Must be a single plan

- To qualify a plan must have a single pool of assets from which all benefits of all participants be paid.
- CJA's group insurance contract is the single asset from which the death benefits of all participants are paid.
- Thus CJA's plan meets Test 1
(assumes Judge Laro's definition in Booth)

Test 2:

Test: More than 1 employer

- CJA has several hundred participating employers in the plan.
- Thus CJA's Plan meets Test 2

Test 3:

Test: No employer normally contributes more than 10% of the total contributions to the plan.

- CJA's processes ensures that no employer contributes more than 10% of the total contributions to the plan
- Thus CJA's Plan meets Test 3

Test 4:

Test: Plan that does not maintain an experience-rating arrangement with respect to any individual employer

- CJA's Plan does not maintain an experience-rating arrangement on any individual employer or employee group.
- Thus CJA's Plan meets Test 4

Test 5:

Test: Maintain a written document that requires the plan administrator to maintain records sufficient for the IRS or any participating employer to readily verify that the plan satisfies the requirements of 419A(f)(6)

- CJA's plan documents require the plan administrator to take any and all actions, and to keep such books and records, as are required to maintain the plan's status as a "10-or-more-employer plan" under section 419A(f)(6)

- Thus CJA's Plan meets Test 5

Additional Notes for Test 5:

- Contributions to the plan are based upon rates established by the insurer for the product used by the plan. Rates vary for a particular employee by age, gender or health of that employee, but the rates are uniform for all employers participating in the plan.
- Benefits paid upon the death of a participant are not a function of the assets of the participant's employer.
- Assets are not segregated by employer.
- The plan's death benefits are a function of a formula and are not subject to adjustment by the plan administrator.
- This is not true of competitors plans funded with individual, cash value insurance.