

## 6.4. ADP/ACP Test

12/30/2025 9:56 am CST

### Set ADP/ACP Testing Parameters

Clicking on ADP/ACP Test from the Tasks page will expand the ADP/ACP Parameters. Here you can enter details about how ADP/ACP Testing should be handled in the plan. This is also where prior year testing data can be entered if prior year testing is selected and it is the plan's first year in the system. You may also need to manually enter the prior year ADP/ACP data if the current plan year was created before the prior year's testing was completed.

**Note:** if you want to use disaggregation of otherwise excludable employees for ADP/ACP testing, you would need to set Disaggregation using otherwise excludable employees to Yes in the "Combined Test Parameters" screen as it will apply to all of the required tests.

▼ ADP/ACP Test		Run:	Reports:
▼ ADP/ACP Overrides			
Override 402(g)/Catchup calculations:			<input type="radio"/> Yes / <input checked="" type="radio"/> No
▼ 410(b)/401(a)(4)/ADP/ACP Testing Options (Modify Responses in Combined Test)			
Testing Divisions (Multiple Employer Plan)			No
Plan Aggregation			No
+			
Disaggregation using otherwise excludable employees			No
▼ Testing Parameters			
<b>Testing Groups</b>			
Two definitions of compensation used:			<input type="radio"/> Yes / <input checked="" type="radio"/> No
<b>Methods to Avoid Failure</b>			
Borrow contributions from ADR:			<input checked="" type="radio"/> Yes / <input type="radio"/> No
Create catchup:			<input checked="" type="radio"/> Yes / <input type="radio"/> No
+			
<b>Failure Corrections</b>			
Roth correction order for ADP failures:			Last
Refund income calculation:			Safe harbor
▼ Prior Year Elections			
<b>ADP Prior Year Elections</b>			
ADRs of NHCEs:			Prior year
<b>ACP Prior Year Elections</b>			
ACRs of NHCEs:			Prior year
			<a href="#">Review/Edit Prior Year Data</a>
<b>First Plan Year</b>			
First Plan Year as an Elective Deferral plan:			<input type="radio"/> Yes / <input checked="" type="radio"/> No
+			
+			

For more information and examples, use the help text question mark bubble next to the field in question.

## Run ADP/ACP Test

Clicking the "Run" button next to ADP/ACP Test from the Tasks page will calculate the ADP/ACP Test based on the testing parameters. Test results will be displayed (PASS/FAIL) in a pop-up window. ADR (Actual Deferral Ratio), ACR (Actual Contribution Ratio), ADP (Actual Deferral Percentage) and ACP (Actual Contribution Percentage) will be shown, if applicable, for nonhighly and highly compensated employees.

Please note that if you are using disaggregation of otherwise excludable employees for the ADP/ACP tests, you will see three rows of results on the ADP ACP Test Results screen.

- "DisaggOver" - this shows the test results for the group who are not excludable.
- "DisaggUnder" - this shows the test results for the group who do not meet statutory eligibility.
- "ExclNHCE" - this shows the results excluding only the NHCEs not meeting statutory eligibility from the test.

If there are no excludable HCEs, DisaggOver and ExclNHCE results will be the same.

ADP/ACP Testing Results													
Group		ADP					ACP						
Union/Non-Union	Disaggregation	NHCE Cnt	NHCE ADP	MAX	HCE ADP	ADP Result	NHCE Cnt	ACP Orig	From ADP	ADJ NHCE ACP	ADJ MAX	HCE ACP	ACP Result
N/A	DisaggOver	3	2.50	4.50	7.78	FAIL	3	2.17	0.00	2.17	4.17	4.15	PASS
N/A	DisaggUnder	0	0.00	0.00	0.00	PASS	0	0.00	0.00	0.00	0.00	0.00	PASS
N/A	ExclNHCE	3	2.50	4.50	7.78	FAIL	3	2.17	0.00	2.17	4.17	4.15	PASS

**Test Fails**  
Select testing combination to correct: ExclNHCE:1 ▼  
Select Test Option

When using disaggregation, you should select the Testing Combination. "ExclNHCE:1" provides results based on the test excluding NHCEs who have not met statutory eligibility. This is also known as the "carve out method".

Alternatively, you can select "Two Tests:1" which runs two separate tests for those statutorily non-excludable and statutorily excludable. Once you select your testing combination method, make sure to click Select Test Option. The ADP/ACP results and correction method will be based on your selection.

On the ADP/ACP Test Results pop-up window, you will see a summary of the outcome of test. To correct a failed ADP or ACP test follow the steps below.

## Do Refunds/Calculate Catch-ups

Clicking the **Do Refunds/Calculate Catch-ups** link will display the amount of refunds to HCEs necessary to pass the failing test(s). If any of the HCEs targeted to receive a refund are catch-up eligible and have not used their entire annual catch-up amount, then as much of the refund as possible will be recharacterized as catch-up. Amounts that do need to be returned will be displayed in the ADP (or ACP) Refund Earnings box. You can calculate earnings either by entering the amount of the beginning balance plus contributions during the year, and the earnings for the Elective Deferral or Roth source for the HCE, then click the **"Update earnings"** link and the software will calculate the amount of the earnings to be refunded. If you have transactions posted in the Transactions area, you can click the **"Update ADP/ACP refund earnings with transaction data"** link to calculate the earnings based on the posted beginning balance, contributions, and earnings.

## Estimate QNECs

You should also see the option to estimate QNECs so long as the plan is set up to allocate QNECs to NHCEs only; this is

in the Eligibility section of Plan Specifications. You can click the “Estimate QNECs” link to see the percentage required for each NHCE; the total cost of the QNEC is also displayed. Note that the allocation formula for the QNEC is selected in Plan Specifications under Contributions. Pro-rata, Bottom-up (Targeted) and Fixed Amount formulas are all available.

**Note:** The option to estimate QNECs is not available for Prior Year tested plans.


ADP/ACP Testing Results												
Group	ADP					ACP						
Union/ Non-Union	NHCE Cnt	NHCE ADP	MAX	HCE ADP	ADP Result	NHCE Cnt	ACP Orig	From ADP	ADJ NHCE ACP	ADJ MAX	HCE ACP	ACP Result
N/A	3	2.50	4.50	7.78	FAIL	3	2.17	0.00	2.17	4.17	4.15	PASS

#### Test Fails

Select testing combination to correct: All:1

Select Test Option

[Do Refunds/Calculate Catch-ups](#) | [Estimate QNECs](#)

Report	Format
ADP ACP Test	   
Estimate QNEC	   
ADP ACP Corrections	   

## ADP/ACP Test Reports

You can print the detailed report of the test results, corrections report, and QNEC report directly from the "ADP ACP Test Results" pop-up window or once you return to the Compliance Menu page, click on the "Reports" button on the right of ADP/ACP Test.

As is the case for all the default reports on the system, if there is information you would like to see that is not in one of the predefined reports, go to the [Other Import/Export/Report Menu](#) to add/review more detailed report grids there.