



Large plan audit: What is it?

Generally, plans with 100 or more eligible participants as of the first day of the plan year must file Form 5500 with Schedule H Financial Information. In addition, DOL regulations require plan sponsors of these “large plans” to engage an independent qualified public accountant to perform an audit of the plan and include it with the Form 5500 each year. These audits can be expensive, typically two to three times the cost of annual plan administration. However, there is an exception for some plans with between 80 and 120 participants.

Who are the eligible participants?

Eligible participants are employees who have satisfied the plan’s eligibility requirements, regardless of if they are making or receiving contributions. Participants who have separated from service and have not yet received a distribution of their plan benefits are also included in this definition.

What are best practices for plan sponsors?

It is important that participants take a distribution of their benefits as soon as they have separated from service and become eligible to receive plan benefits. Plan sponsors should provide terminated participants with the distribution paperwork during the exit interview or with their final paycheck.

EGPS clients can contact their Plan Consultant for assistance in “cashing out” terminated participants or locating those who are “missing.” In addition, it’s important for plan sponsors to be aware of the audit requirement and the additional expenses it brings for planning and budgeting purposes.

Finally, auditors need ample time to perform the audit, so it’s important for plan sponsors to provide their TPA with the required administration information as quickly as possible after the plan year end. Not all accountants will perform ERISA plan audits, and those who do are often “booked” early.

If you would like assistance in determining how this requirement may affect your plan, or for a list of firms who do Form 5500 audits, please contact EGPS. We’re here to help.