



SCHNEIDER DOWNS

Wealth Management

Beware of the IRS and DOL: Four Red Flags They Seek on Form 5500

The Form 5500 is an ERISA requirement for retirement plans to report and disclose operating procedures. Advisors use this to confirm that plans are managed according to ERISA standards. The form also allows individuals access to information, protecting the rights and benefits of the plan participants and beneficiaries covered under the plan.

Make sure you are compliant. Be aware of red flags that the IRS and DOL look for on Form 5500 filings:

1. Not making participant deferral remittances “as soon as administratively possible” is considered a fiduciary breach and can make the plan subject to penalties and potentially disqualification. Delinquent remittances are considered to be loans of plan assets to the sponsoring company.
2. An ERISA fidelity bond (not to be confused with fiduciary insurance) is a requirement. This bond protects participant assets from being mishandled, and every person who may handle plan assets or deferrals must be covered.
3. Loans in default for participants not continuing loan repayments, or loans that are 90 days in arrears, are a fiduciary breach that can make the plan subject to penalties and disqualification.
4. Corrective distributions, return of excess deferrals and excess contributions, along with any gains attributed must be distributed in a timely manner (typically two and a half months after the plan year ends). In some cases these fiduciary breaches can be self-corrected if done within the same plan year in which they occurred, and may be considered additional breaches if they extend beyond the current plan year.

This is a partial, not exhaustive list of common Form 5500 red flags. If you’re concerned about ERISA compliance, contact your advisor sooner, rather than later. ■

Material discussed is meant for general illustration and/or informational purposes only and it is not to be construed as investment, tax or legal advice. Although the information has been gathered from sources believed to be reliable, please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice.