

PLAN SPONSOR CORNER



Retirement Plan Record Retention

A question we often hear from our clients is, "How long should we keep records for our company's retirement plan?" The answer is...it depends!

Information relative to the employees' participation and plan benefits:

Information relative to the employees' participation and plan benefits must be kept until the plan has been terminated, all benefits have been paid out, and enough time has passed that the plan won't be audited. This information may include (but is not limited to) items such as:

- The original signed and dated Plan documents and items related to the plan document such as Prototype adoption agreements, amendments, summaries of material modifications (SMMs), summary plan descriptions (SPDs) and the most recent IRS determination letter
- Board or administrative committee minutes and resolutions
- Census data and support for such information including records that are used to determine eligibility, vesting and calculated benefits
- Compensation data as many benefits relate to level of pay
- Participant account balances, contributions and investment earnings
- Support and documentation relating to plan loans, withdrawals and distributions, and
- Form 1099-Rs that report distributions made from the plan

Records used to support information reported on Form 5500 filings:

Under ERISA Section 107, plan level records used to support information reported on Form 5500 filings should be kept for a period of at least six years. This information includes (but is not limited to) items such as:

- Form 5500s (including all required schedules and attachments)
- Nondiscrimination and coverage test results
- Required employee communications and notices
- Investment statements
- Balance sheet and income statements
- Audited financial statements (if applicable)
- Evidence of Plan's fidelity bond
- Corporate income-tax returns (to reconcile deductions)
- Information used to prepare any of the required Form 5500 Schedules

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Employee elections forms:

Current, updated employee election forms listed here must be retained and easily accessible:

- Salary deferral agreements
- Beneficiary forms
- Investment allocation forms

It is also advisable to keep on-hand less frequently needed documents, such as **QDROs in the event of a divorce, VCP submissions, and Department of Labor (DoL) and IRS notices**.

Paper or electronic records?

You don't need to keep huge paper files of your plan information: scanned copies of documentation can be saved to your computer or server as long as they are being backed up regularly. The DoL states that using electronic media to comply with record retention requirements is acceptable as long as the following conditions are met:

- The recordkeeping system has reasonable controls to ensure the integrity, accuracy, authenticity and reliability of the records kept in electronic form
- The electronic records are maintained in reasonable order, in a safe, accessible place, and in such manner so they may be readily inspected or examined
- Records are readily convertible into legible and readable paper copies
- Recordkeeping system is not subject to any agreement or restriction that would compromise or limit a person's ability to comply with any reporting and disclosure requirement or any other obligation under Title I or ERISA
- Adequate records management practices are established and implemented

Original paper records may be disposed of any time after they are transferred to an electronic recordkeeping system that complies with the requirements noted above. However, original records may not be discarded if the electronic record would not constitute a duplicate or substitute record under the terms of the plan and applicable federal or state law. Proper data retention will assist the plan sponsor in meeting any fiduciary duties of ERISA.

Why is all this record retention so important?

Retirement plans are designed to be long-term programs that benefit employees. As a result, plan records may cover many years of transactions. The IRS and ERISA require plan sponsors to keep records of these transactions because they may become material in administering pension law. **WHEN IN DOUBT, SAVE IT!**

If you have any questions or would like further guidance on this topic, please don't hesitate to contact us.

The information reflected in this article was current at time of publication and will not be modified or updated for any subsequent tax law changes, if any.