Benefits Bulletin

How to Avoid a Last Minute or Late Form 5500 Filing

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Thus far, there have been approximately 191,000 2013 calendar year end Form 5500 filings. Of those filings, approximately 47,000 (25%) were received within the last 3 days of the extended October 15th due date or after the due date. Although I can't say for certain why those numbers are so high, based on previous experience, I can point to three common areas that cause delayed or late filings and offer tips on how to avoid these pitfalls.

Three common pitfalls to look out for:

1. <u>Not knowing your participant count as of January 1st</u>

This is the key determining factor as to whether you will need an audited financial statement of your plan to attach to the Form 5500. The need for an audit increases the length of time it will take to prepare for your Form 5500 filing. The magic number to keep in mind is 120 eligible participants. A common reason that this is missed is, when people informally evaluate this number, they think in terms of employees currently at their company, such as there are only 100 employees who work here, therefore there cannot be 120 eligible participants. What they do not consider is that an eligible participant includes individuals who no longer work at their company but hold a participant account balance within the plan. If there is a high degree of turnover or the plan has been in existence for a number of years, the number of eligible participants who fall into this category can sway the count significantly.

Another factor that often causes an error in the eligible participant count is a misconception that the count as of January 1, 2012 is the same as the end of year number that was on the Form 5500 at December 31, 2011. This is often not the case, as participants can become eligible on January 1st based on the entry dates and other factors outlined in the plan document. Monitoring this number and the data being used to generate this number, as well as discussing the details with your service providers, can save you time and money. The earlier you know about the need for the audit, the more likely you are to avoid a delayed or late filing.

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2. Not communicating with service providers timely

Service providers typically request information from plan sponsors throughout the year, but these requests are often not addressed until right before a filing deadline, which can lead to surprises. Example requests include the compliance questionnaires that are sent out by third party administrators, requests for data for nondiscrimination testing, and reviews of fidelity bond coverage. These administrative items often uncover compliance issues and, if not addressed timely, can cause filing delays.

3. The Plan Sponsor is not monitoring compliance

There can be a number of plan operational failures that are not monitored properly or there can be a perception that the third party administrator is monitoring these issues when they are not considered responsible to do such. When these situations are discovered, they typically create a lot of administrative work. Common operational failures include whether the correct definition of compensation is being used, the correct calculation of employee and employer contributions, whether contributions are being remitted timely to the custodian, and proper execution of changes in employee deferral percentages. If there was a compliance error or other issue during the plan year and you are aware of such noncompliance, you should be communicating with your service providers to correct the operational failure. If you are not monitoring these issues, you should consider implementing processes to do so.

By addressing these common pitfalls, you will develop a good set of best practices and help you to move your filing timeline up drastically. It is also important to communicate regularly with your service providers.

IRS Retirement & Pension Plan Limitations for 2015

Maximum Elective Deferral to 401(k), 403(b), 457, and Thrift Plans	$18,000
Maximum Elective Deferral to SIMPLE 401(k) and SIMPLE IRA Plans	$12,500
Maximum Contribution to Traditional and Roth IRAs	$5,500
Catch-Up Contributions Limits (For Individuals Age 50 and Over)	
401(k), 403(b), 457, and Thrift Plans	$6,000
SIMPLE 401(k) and SIMPLE IRA Plans	$3,000
Traditional and Roth IRAs	$1,000
Limit on Annual Additions to Defined Contribution Plans and Simplified Employee Pensions (SEP)	$53,000
Annual Compensation Limit for Determining Contributions	$265,000
SEP Minimum Compensation Amount	$600
Limit on Annual Additions to Defined Benefit Plans	$210,000
Highly Compensated Employee threshold	$120,000

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