

QUICK TIPS FOR 5500 PROSPECTING



1. The Basics: Background info

Your Point of Contact

- The Plan Administrator of the 5500 is typically a decision maker who is in charge of overseeing matters related to the plan.
- The Plan Administrator signature is usually found at the bottom of the 5500.
- They may be an owner, CFO, or HR representative and in some cases their TPA may be signing.

10/11/2017	John Doe
Date	Enter name of individual signing as plan administrator

The Plan's Effective Date

- Has the plan sponsor done a comprehensive review of the plan since the plan started? Every 3-5 years is a good rule of thumb.
- Has there been any required compliance updates they should have considered during this time?

plan number (PN)	
1c Effective date of plan	January 01, 2005

2. Finding an angle: Service and compliance

Reviewing Participant Data

- What is the participation rate (eligible vs. participating)? Perhaps employee engagement programs need reviewed.
- Are there terminated employees who need rolled out of the plan? Rolling terminated employees out of the plan helps the plan sponsor better manage fiduciary risk and plan costs.

5	Total number of participants at the beginning of the plan year	5	138
6	Number of participants as of the end of the plan year unless otherwise stated (welfare plans only complete lines 6a(1), 6a(2), 6b, 6c, and 6d)		
a(1)	Total active number of participants at the beginning of the plan year	6a(1)	138
a(2)	Total active number of participants at the end of the plan year	6a(2)	
b	Retired or separated participants receiving benefits	6b	
c	Other retired or separated participants entitled to future benefits	6c	20
d	Subtotal. Add lines 6a(2), 6b, and 6c	6d	148
e	Deceased participants whose beneficiaries are receiving or are entitled to receive benefits	6e	
f	Total. Add lines 6d and 6e	6f	148
g	Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)	6g	135
h	Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested	6h	7
7	Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	0

Reviewing Compliance Questions

- Keep an eye out for any boxes marked "yes", as most of them indicate the plan was not in compliance that year or there are may be caveats to consider.
- Question 4. e is one question that should be marked "yes", since a fidelity bond is required by law. The fidelity bond should be worth about 10% of the plan's assets.
- If it appears the plan has failed to apply participant contributions in a timely manner or provide benefits when due, the plan sponsor likely requires a higher level of administrative support than they are currently receiving.
- If you identify any corrective distributions this means highly compensated employees are missing opportunities to max deferrals.

Part IV Compliance Questions			
4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.			
During the plan year:			
	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part II if "Yes" is checked)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
d Did the plan engage in any nonexempt transaction with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
e Was this plan covered by a fidelity bond?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	\$500,000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan or brought under the control of the PBGC?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
l Has the plan failed to provide any benefit when due under the plan?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3	<input type="checkbox"/>	<input type="checkbox"/>	
o Did the plan trust incur unrelated business taxable income?	<input type="checkbox"/>	<input type="checkbox"/>	
p Were in-service distributions made during the plan year?	<input type="checkbox"/>	<input type="checkbox"/>	

3. Finding an Angle: Plan design considerations

Locating the Current Plan Assets and Deposits

- Part III shows the plan financials, and is where you can determine the current size of the plan and annual contributions broken down by employer and employee.

- A plan with no employee contributions is likely an ESOP or profit sharing only plan.

- A plan with no employer contributions is a standard defined contribution/401(k) plan with no employer match or profit sharing.

- When a plan has no employee contributions, it means the employees are missing out on opportunities to defer income taxes and contribute to their own retirement savings. Whether this be by choice or limitations by the plan's design, it might be in order to educate the plan sponsor on the consequences of such a missed opportunity.

- When a plan has only employee contributions, a discussion may be in order around the advantages of offering employees a match or profit sharing. These benefits include: it's a recruiting tool, it increases employee retention, it can result in some major tax-advantages for the business owner.

Part III Financial Information		(a) Beginning of Year	(b) End of Year
7 Plan Assets and Liabilities:			
a	Total plan assets	\$340,513	\$348,603
b	Total Plan liabilities		
c	Net plan assets (subtract line 7b from line 7a)	\$340,513	\$348,603
8 Income, Expenses, and Transfers for this Plan Year:			
a Contributions received or receivable		(a) Amount	(b) Total
	(1) Employers	\$4,231	
	(2) Participants	\$20,095	
	(3) Others (Including Rollovers)		
b	Other Income (loss)	\$6,444	
c	Total income (add lines 8a(1), 8a(2), 8a(3), and 8b)		\$30,770
d	Benefits paid (including direct rollovers and insurance premiums to provide benefits)	\$22,680	
e	Certain deemed and/or corrective distributions (see instructions)		
f	Administrative service providers (salaries, fees, commissions)		
g	Other expenses		
h	Total expenses (add lines 8d, 8e, 8f, and 8g)		\$22,680
i	Net income (loss) (subtract line 8h from line 8c)		\$8,090
j	Transfers to (from) the plan (see instructions)		

Understanding Plan Characteristic Codes

- Located on Part IV of the 5500, these codes indicate specific features which apply to the plan.
- Some codes are simply informative and will help you be better-equipped for a meaningful conversation with the plan sponsor.
- Other codes, or a lack thereof, may reveal fiduciary red flags or inadequacies in the plan's design that will give you a competitive edge against the current service providers.
- The following page provides a table which describes some of the more common codes to look for and the opportunities they may present.
- Most 5500 websites provide a hyperlink to a code key which defines every possible code.

Part IV	Plan Characteristics
9a	If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions: 2A 2E 2F 2G 2J 2T 3D - - -
b	If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

4. Other miscellaneous notes

Plan Assets and Deposits

- Plans with more than 100 participants will have additional schedules that will provide details such as the investment holdings, broker info, TPA info, auditor info and information on certain types of fees. They are also subject to costly large plan audits, yet another reason to roll terminated employees out.
- 5500 Filings are not required for Solo K plans, SEP or SIMPLE IRAs.
- 5500 Filings are accessible to the public and can be accessed at:
 - www.Freeerisa.benefitspro.com
 - www.efast.dol.gov

Code	Feature	Opportunity
2A	Cross-tested profit sharing is offered	Indicates the plan has either New Comparability or Age/Service-weighted profit sharing. Firms with good age/wage disparity between owners and rank-and-file employees, and those who have less than 50 employees are usually great candidates for this plan design feature.
2E	Pro-rata profit sharing plan is offered	Indicates all participants receive the same % of their salary. It could mean a more cost-effective or strategic plan design should be explored.
2F	The plan is 404(c) compliant	Being 404(c) compliant means the plan sponsor has agreed the investment menu will adhere to certain standards to ensure the participants have diversified options. If 2G is selected this is especially important.
2G	Participant directed accounts	Without this code it could be assumed the plan's assets are in a pooled account whose investments are selected by the plan sponsor. Today's standard for 401(k) plans is to have participant directed accounts, which enable the participants to be invested according to their individual needs.
2J	401(k) deferrals are being made	Without this code it could be assumed the plan is either profit sharing only or ESOP only. This would mean employees are missing opportunities to max their own retirement savings and decrease their personal income tax.
2K	Employer is offering a match	If the employer is offering a match and participation rates are low, it would be reasonable to examine the participant awareness/education program. If the employer is not offering a match, it might be worth a closer look at whether or not the owner is maximizing tax-efficiency for themselves and if their benefits are competitive enough.
2O	Employee Stock Ownership Plan (ESOP)	An ESOP plan can be a fantastic way for a business to reduce taxes and for an owner to pass ownership on when retiring. It means the employees each receive a % of ownership of the company which can be great for moral and retention. Works best for large, very profitable firms.
2R	Self-directed brokerage	Indicates the participants have the ability to invest their assets in holdings outside of a consolidated record-keeping platform.
2T	Qualified Default Investment Alternative (QDIA)	Having a QDIA means if a participant does not select their own investments, they will automatically be invested into a target risk or target date fund which corresponds with their current age. Not having a QDIA subjects the plan sponsor to an easily avoidable fiduciary risk.