

New Audit Requirements for 403(b) Plans

This is very important information that all Non-Profit Organizations need to be aware of.

As a result of recent changes the IRS has removed the exemption previously granted to 403(b) plans from filing the annual Form 5500. The 1974 Employee Retirement Income Security Act (ERISA) did not require holders of 403(b) plans to file Form 5500. In general, plans sponsored by charities are covered under ERISA and must follow the new requirements. Plans sponsored by religious organizations and governments are not covered and there are no changes.

Under the new guidelines, ERISA-covered 403(b) plans must follow the same requirements as 401(k) plans. Large plans with 100 or more eligible participants will now be required to file an audited financial statement of the plan with the annual Form 5500 starting with 2009. Small plans with less than 100 eligible participants will need to file the annual Form 5500 but are not required to attach an audited financial statement.

To be compliant with the new regulations plan sponsors/organizations need to have a written plan document in place. Organizations that currently have a written plan document should have it reviewed to be sure all new requirements are being followed.

Companies that sponsor a plan with an audit requirement should review their plans now to be prepared. They will need to have information relating to the plan since its inception or as much information as possible if it is not all available. Some plans are administered by a Third Party Administrator (TPA). The company can contact and work with the TPA to gather all needed information.

Plan sponsors need to consider who within their organization will have primary responsibility over the plan and set up internal controls over the plan's financial reporting process. The sponsor should employ the services of a qualified independent certified public accounting firm to perform their audit. The auditor should have experience in auditing employee benefit plans and be a member of the Employee Benefit Plan Audit Quality Center (EBPAQC).

Contact Greg or Kevin at our office with any questions, 440-926-9300.