



Important Information

Reporting and Disclosure

March 2000\*

## DOL Finalizes Revised Form 5500

**WHO'S AFFECTED** Sponsors of most qualified defined contribution plans and some 403(b) programs must file the revised Form 5500 for the 1999 plan year and all later years. Sponsors of governmental plans and non-electing church plans do not file Form 5500. This publication focuses on the major changes affecting defined contribution plan reporting.

**BACKGROUND AND SUMMARY** The Form 5500 Series is the primary tool used by the Department of Labor (DOL) and the Internal Revenue Service (IRS) to gather information about qualified retirement plans for compliance and research purposes. The form includes information about the plan's operation, funding, assets and investments.

The Form 5500 format has been significantly altered to simplify the reporting process. The revised Form 5500 requires only basic plan information. All detailed information for both large and small plans will be provided on the revised or new schedules. Only those schedules that apply to a particular plan are to be completed and filed for that plan. Much of the information plan sponsors previously provided is still required.

The DOL has also created the option for the sponsor of a pooled separate account, common collective trust, master trust investment account, or 103-12 investment entity to provide information about the underlying assets of those investments to the DOL/IRS by filing a Form 5500 as a Direct Filing Entity (DFE). When the sponsor files as a DFE, each plan using that investment vehicle must provide less detail when filing its own Form 5500. Although the sponsor of the investment fund must still furnish the statement of assets and liabilities for each investment fund to each plan sponsor, plan sponsors no longer need to file that statement with the DOL.

If the plan allows participants and beneficiaries to direct the investment of all plan assets, historical cost information for purposes of the "Schedule of Assets Held for Investment Purposes At End of Year" and the "Schedule of Investment Assets Both Acquired and Disposed of Within the Plan Year" is no longer required. In addition, the "Schedule of Reportable Transactions" no longer includes participant or beneficiary directed transactions.

Form 5500 returns/reports will be processed using the new ERISA Filing Acceptance System (EFAST).

**ACTION AND NEXT STEPS** Plan sponsors that do not use Prudential Retirement's Form 5500 Preparation Service should check with whoever provides this service to ensure they are familiar with the revised forms. The plan year reporting package you receive from us will include the

\* Republished December 2004 to reflect Prudential Financial's acquisition of CIGNA's retirement business

information needed to complete the new Form 5500 and related schedules. If you use our Form 5500 Preparation Service, your Form 5500 will be completed using EFAST approved software.

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Sponsors of most qualified plans and some 403(b) plans must report financial and operational information to the Department of Labor (DOL) and Internal Revenue Service (IRS) each year. A plan meets this requirement by filing a 5500 series form.

To simplify this reporting process, the Form 5500 has been revised. Plan sponsors must begin using the new Form 5500 to report information for plan years beginning on or after January 1, 1999.

The revised Form 5500 contains only basic plan information. All detailed information is now reported on various schedules. New schedules have been created for this purpose, and several of the existing schedules have been revised. Plan sponsors only need to complete those schedules that apply to their plans.

New schedules include:

- [Schedule D \(DFE/Participating Plan Information\)](#),
- [Schedule H \(Financial Information - Large Plan\)](#),
- [Schedule I \(Financial Information - Small Plan\)](#),
- [Schedule R \(Retirement Plan Information\)](#), and
- [Schedule T \(Qualified Pension Plan Coverage Information\)](#).

The revised schedules are:

- Schedule A (Insurance Information),
- Schedule B (Actuarial Information),
- Schedule C (Service Provider Information), and
- Schedule G (Financial Transaction Schedules).

Schedules E, F, P and SSA are unchanged.

### **Impact on Small Plans**

Separate schedules were created for large and small plans. This change eliminates the Form 5500-C/R.

A small plan is still defined as a plan with fewer than 100 participants at the beginning of the plan year. If a plan has between 80 and 120 participants at the beginning of the plan year, it can choose to be classified (i.e., as either a small or large plan) the same as the previous year.

For plan years before 1999, large plans had to file a Form 5500 while small plans could file a Form 5500-C/R. The Form 5500-C/R required less detail than the Form 5500. In addition, small plans were not required to attach the opinion of an independent qualified accountant.

With the elimination of the Form 5500-C/R all plans will file the Form 5500. However, small plans will complete different schedules than large plans. The small plan schedules require less detailed information, similar to the Form 5500-C/R. Consequently, the reporting requirements have not increased for small plans. In addition, small plans still do not have to obtain the opinion of an independent qualified accountant.

## **Direct Filing Entity**

Although the primary changes to the Form 5500 are the movement of information to separate schedules, there is also a difference in the way plan investments are reported.

To standardize plan investment information among service providers, underlying investment information about the investment accounts or trusts will now be reported in one of two ways:

1. The sponsor of each pooled separate account (PSA), common collective trust (CCT), master trust investment account (MTIA) or 103–12 investment entity (IE) files a separate Form 5500 and applicable schedules for each account or trust. The sponsor of the PSA, CCT, MTIA or 103–12 IE becomes a Direct Filing Entity (DFE).

Prudential Retirement's market valued separate accounts are considered PSAs.

As a DFE, the sponsor of the investment account or trust provides a list of all plans that invested in that account at any time during the year. The sponsor also supplies information about the underlying assets of the account.

Each plan investing in the account/trust must still file its own Form 5500. When the plan files, it must identify the accounts or trusts in which the plan invested, but information about each account's or trust's underlying assets is not required.

In general, a DFE must file its return/report no later than 9½ months after the end of the DFE fiscal year. However, for DFE years ending in 1999, the reporting deadline is October 16, 2000.

2. The entity sponsoring the PSA, CCT, MTIA or 103–12 IE does not file a Form 5500 for that account/trust (i.e., the sponsoring entity does not file as a DFE).

When the entity sponsoring the investment account/trust does not file as a DFE, each large plan investing in that account/trust must report its individual interest in the underlying assets of the account/trust on a line-by-line basis when filing Schedule H of Form 5500.

In either case, the sponsor of the PSA, CCT, MTIA or 103–12 IE must notify its participating plans of whether it intends to file as a DFE. The sponsor must also give plan administrators the information needed to complete the Form 5500 for their plans within 120 days after the end of each participating plan's plan year.

Prudential Retirement will report its pooled separate accounts as a DFE. As such, there will be little change in the way you report financial information related to the plan's assets held at Prudential Retirement. If Prudential Retirement does not provide 5500 services for your plan, you must notify whoever completes your plan's Form 5500 that Prudential Retirement will file as a DFE.

## **Schedules of Assets Held and Reportable Transactions**

Previously, plan sponsors had to report assets held for investment purposes on Schedule G. These assets included participation in an insurance company pooled separate account. Cost information about those assets was required.

The Schedule of Assets Held for Investment Purposes has been removed from the Schedule G. Plans with assets held for investment purposes must now attach a separate Schedule of Assets Held. For plan years beginning in 1999, the cost of the assets held for investment that is listed on this schedule may omit any participant or beneficiary directed transactions.

The Schedule of Reportable Transactions was also removed from Schedule G. Plans with reportable transactions now attach a separate schedule. However, a reportable transaction is still defined as:

- A single transaction within the plan year in excess of 5% of the current value of the plan assets; or
- Any series of transactions with or in conjunction with the same person, involving property other than securities, amounting in total within the plan year (regardless of the category of asset and the gain or loss on any transaction) to more than 5% of the current value of plan assets; or
- Any series of transactions within the plan year involving securities of the same issue that within the plan year total more than 5% of the current value of the plan assets; or
- Any transaction within the plan year with respect to securities with, or in conjunction with, a person if any prior or subsequent single securities transaction within the plan year with such person exceeds 5% of the current value of plan assets.

Beginning with the 1999 plan year, participant and beneficiary directed transactions are not included when determining whether a reportable transaction has occurred. As such, a plan that allows participants to direct the investment of contributions made to their accounts will now be much less likely to have reportable transactions.

The DOL/IRS have not created a scannable form or schedule for either the Schedule of Assets Held or the Schedule of Reportable Transactions. Plan sponsors must use a format similar to that described in the Instructions to the Form 5500 and on the same size paper as the Form 5500.

## Summary of New Schedules

A summary of the information that is required on the new schedules for 1999 is listed below. For an overview of all schedules associated with the revised Form 5500 and a summary of the changes, please refer to our ["Form 5500 Schedules" chart](#).

**Schedule D, DFE/Participating Plan Information.** Each plan sponsor must complete Schedule D and file it with the Form 5500.

Both large and small plan sponsors must complete Part I of Schedule D if the plan participates in a PSA, CCT, MTIA or 103–12 IE. This portion of the schedule must be completed regardless of whether the sponsor of the investment account/trust files as a DFE. Part I lists the name and sponsor of the account/trust, and shows the dollar amount invested by your plan in the account/trust at the end of the year.

**Schedule H, Financial Information for Large Plans and DFEs.** Large plans use Schedule H to report financial information (assets, liabilities, etc.) that was formerly reported on the Form 5500. The Instructions to Schedule H provide additional guidance on reporting "deemed distributions" of participant loans, as well as "corrective distributions" from qualified plans.

If the plan participates in a PSA, CCT, MTIA or 103–12 IE and the sponsor of that investment account/trust does not file as a DFE, the plan must report its share of the account/trust's underlying assets in the appropriate categories on a line-by-line basis on Part I of Schedule H. Due to a special transition rule for 1999, the underlying assets must only be broken out for plan and DFE years beginning on or after January 1, 2000.

**Schedule I, Financial Information for Small Plans.** Small plans use Schedule I to report financial information (assets, liabilities, etc.) that was formerly reported on the Form 5500-C/R. The instructions to Schedule I provide additional guidance on reporting "deemed distributions" of participant loans, as well as "corrective distributions" from qualified plans.

**Schedule R, Retirement Plan Information.** Both large and small plans complete Schedule R to report distributions and funding information. Some of the information necessary to complete Schedule R was not previously required with Form 5500 reporting. For example, Schedule R requires the employer to list the number of single sum distributions, and the amount of distributions that were made in a form other than cash, annuities, or publicly traded employer securities.

**Schedule T, Qualified Pension Plan Information.** Minimum coverage information was moved from the Form 5500 to Schedule T. Large and small plans must both provide this information.

## ERISA Filing Acceptance System (EFAST)

The revised forms are available in either a machine print or hand print format. Both formats are computer scannable. These formats were created in conjunction with a new computerized system called the ERISA Filing Acceptance System (EFAST). Beginning with reporting for 1999, EFAST will be used to process Form 5500 returns. Use of either the machine print or hand print version is required for 1999 plan year reporting. The machine print version can be completed using EFAST

approved computer software and can be filed electronically or by mail. The hand print version must be completed by hand or with a typewriter and can only be filed by mail. This version is printed on special paper with green ink, enabling EFAST to scan the entries.

***You will no longer send your Form 5500 to the IRS.*** Form 5500 returns must be mailed to the DOL's Employee Benefits Security Administration (EBSA) at:

Filing on paper:

EBSA  
P.O. Box 7043  
Lawrence, KS 66044-7043

Filing on floppy disc, CD-ROM or tape:

EBSA  
P.O. Box 7041  
Lawrence, KS 66044-7041

If using a private delivery service, send to:

EBSA  
Attn: EFAST  
3833 Greenway Drive  
Lawrence, KS 66046-1290

## Next Steps

If Prudential Retirement provides Form 5500 preparation services for your plan, we will complete your Form 5500 using EFAST approved software (i.e., the machine print version). Please contact your Prudential plan representative if you have specific questions about this information, or if you would like to hear more about Prudential Retirement's Form 5500 Preparation Service.

### **Pension Analyst by Prudential Retirement**

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