Alliant Retirement Services Group

Employee Benefit Plan Audits: Are You Ready?

Presented By: John Cunningham
Senior Vice President, Alliant Retirement Services
jcunningham@alliantinsurance.com
(212) 603-0284

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Agenda

- Anticipated Increased Enforcement
- Benefit Plan Audits
- Retirement Plan Audits

Anticipated Increased Enforcement

- Will audits really increase, or is this just a scare tactic?
  - An increase in Federal Department of Labor (DOL) audits is expected as ACA implementation continues
  - Audits ensure compliance with the rules and serve as a revenue source
  - Even if the risk is low, the potential ramifications are significant, so preparation is essential

Types of Audits

- State Department of Labor
  - Focuses on labor practices, compensation, and employee classifications
- Federal Department of Labor
  - The Federal DOL has jurisdiction over ERISA law, governing employee benefit plans

Audit Process: Employee Benefits

- What kind of employee benefit plans are most commonly audited?
  - Generally focus is on plans with more than 100 participants
  - Plans with participant complaints, regardless of size

Audit Process: Employee Benefits

- DOL examines compliance with the following provisions of ERISA:
  - Reporting/disclosure
  - COBRA
  - HIPAA
  - Newborns’ and Mothers’ Health Protection Act
  - Women’s Health and Cancer Rights Act
  - Genetic Information Nondiscrimination Act
  - Affordable Care Act

- Most information requests will be addressed by a handful of key documents or sets of documents already in your files or available from your Employee Benefits broker

Audit Process: Employee Benefits

- ERISA requires plans to maintain documents for a minimum of six years after the 5500 due date, best practice is eight years
- Organizations adopt governing documents in many different ways – sometimes not at all. Establish a process.

Audit Process: Retirement

- What types of plans are most likely to be audited?
  - 401(a) plans
  - 403(b) plans as covered by ERISA
  - 401(k) plans
  - Defined Benefit (pension) plans

Audit Process: Retirement

- Understanding the role of a Fiduciary
  - A Fiduciary is someone who is managing the assets of another person and stands in a special relationship of trust, confidence, and/or legal responsibility.
  - Trustees, investment committee members, and plan sponsors hold all fiduciary responsibilities unless those have been delegated to other parties

- Know who is a Fiduciary
  - Plan Sponsors, committee members, trustees
  - Investment Advisors
  - Investment Managers

Audit Process: Retirement

- Learn About Your Role
  - Consider Fiduciary training to understand roles and responsibilities.
- Document Everything
  - With regard to oversight of retirement plans, it all comes down to processes, not outcomes. Adopt sound processes and follow them consistently.
  - Maintain minutes of investment reviews as documentation that appropriate oversight is occurring.

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Audit Process: Retirement

- Should I use an Investment Policy Statement?
  - An Investment Policy Statement (IPS) is considered to be a document governing the Plan.
  - Failure to follow the IPS is a fiduciary breach.
  - The key is how the IPS is drafted. Make sure it is a guide and does not lock in fiduciaries.
  - Be sure that you are prepared to follow anything that is included in the IPS.

John Cunningham, AIF
Senior Vice President
Alliant Retirement Services Group
(212) 603-0284
www.alliantbenefits.com