

Electronic Form 5500 Filing Starts Now!

EFAST2 is the Department of Labor's fully electronic and paperless processing system for Form 5500 returns. All 2009 returns, plus any amended or late returns filed after January 1, 2010, will need to be filed electronically using this system.

Blue Ridge ESOP Associates will be rolling out an interactive online solution that permits plan sponsors to view their returns in draft form, attach a plan audit report if applicable, and electronically sign and securely transmit returns.

Those who sign Form 5500 as plan sponsor or plan administrator will need **signing credentials**. Those are obtained by logging onto the DOL internet registration site known as I-REG at www.efast.dol.gov. After reviewing privacy notifications, a signer will enter his or her name and contact information and select the types of credentials needed. A signer **MUST** provide an email address. The system will also prompt a signer to select and answer a challenge question. The system will then send an email to the signer, with a link for completion of the registration process. The signer must click on the link to return to the DOL's registration site. The site will ask the signer to answer his or her challenge question, sign a privacy agreement and signature agreement. The site will then assign a user ID and PIN. The screen on which the user ID and PIN appear will only be accessible once. It is extremely important for a signer to record this information and save it! (If a signer loses his or her user ID or PIN, he or she will need to contact DOL by calling 866-GO-EFAST.) The signer will also need to choose a password and save that along with the user ID and PIN.

The credential system is complicated. However, electronic filing is here and there is no option to continue with paper filings for 2009 returns. (Only Form 5500-EZ filers can file paper returns for 2009.) In addition, amended and late returns filed after December 31, 2009 will need to be filed electronically. The EFAST2 website includes user guides, frequently – asked questions and other information about electronic filing.

If Blue Ridge is preparing Form 5500 for a plan, the plan sponsor only needs filing signer credentials. However, if a plan sponsor is preparing any of its own Form 5500 returns including health and welfare plan filings, there are other credentials that a plan sponsor might need. It is possible to create, sign and file a Form 5500 using what is known as the I-FILE system – a free no-frills application offered by the DOL. However, an individual using I-FILE would need to obtain filing author credentials through I-REG in addition to filing signer credentials.

With electronic filing, paper forms are not entirely gone. The request for extension of time to file Form 5500 (that is, Form 5558) is still a paper form that is mailed to the Internal Revenue Service.

Form Changes

In the past, Form 5500 filings have included a Schedule SSA. That schedule was used to report information about former plan participants with vested benefits that have not been distributed. Beginning with 2009 returns, the Schedule SSA will no longer be part of the 5500 filing. It will be replaced by a separate Form 8955-SSA that will be filed with the Internal Revenue Service.

Some return changes are minor, but changes to note include:

- Removal of Schedule E – ESOP Information
- Elimination of paid preparer identification
- Removal of Schedule SSA (to be a separate filing as noted above)
- Modification of Schedule C for large plan filers – to report service providers who received over \$5,000 in *direct* or *indirect* compensation in connection with services provided to a plan

Action Items

Plan sponsors should determine which persons will sign Form 5500 and thus need to obtain filing signer credentials. Consider whether back-up or emergency signers are needed. If any Form 5500 returns are prepared in-house, consider other credentials that might be needed and become familiar with I-FILE.

For plans subject to audit, independent accountants will need to provide their reports in pdf format. The pdf will be attached to the electronic Form 5500. Large plan sponsors will also need to work with their investment advisors and other service providers to determine if any indirect compensation was paid for plan services. Indirect compensation includes such items as fees or expense reimbursements including management fees paid by a mutual fund to an investment advisor, sub-transfer agency fees, shareholder servicing fees, account maintenance fees, 12b-1 fees, etc. Other examples of indirect compensation include finder's fees, float revenue, brokerage commissions, and certain nonmonetary compensation such as gifts unless they are of insubstantial value. While disclosures of indirect compensation may not apply to ESOPs holding only employer securities and cash equivalents, plan sponsors still need to determine if there is any reportable indirect compensation to disclose as a result of a plan holding other securities.

Once Form 5500 is transmitted, a filing status report will be generated within minutes. The report will indicate if a filing was accepted, rejected as unprocessable or accepted with errors. For example, a large plan return filed without an audit report attached might result in a status report indicating that the filing was accepted with errors. Within approximately 24 hours, accepted filings submitted under EFAST2 will be published on the DOL website. At this point, we don't know how much time plan sponsors will have to correct incomplete filings. Therefore, it is important to make sure that plan audits are completed on a timely basis so that returns can be filed without errors.

Electronic filing will be challenging. Your Blue Ridge Administrator will be ready to help you through the process.