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## **Accounting Records**

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In order to have proper management and financial reporting, the records of an employee benefit plan must be maintained accurately. These records will vary in complexity depending on the plan itself and the investments the plan maintains.

**Investment Asset Records** – ERISA requires detailed reporting of investment assets and all of the supplemental schedules which include assets (held at end of year), assets (acquired and disposed of within the year), loans or fixed income obligations in default, leases in default or classified as uncollectible, reportable (5%) transactions, and non-exempt transactions. These records are usually maintained by the custodian of the assets, for example, an insurance company. Sometimes the custodian of the assets will outsource some record keeping functions to a Third Party Administrator (TPA).

**Participant Records** – These records are often considered payroll type records and generally would be found in personnel files. They would include information to determine eligibility to participate in the plan and to receive benefits. Eligibility and benefits are often based upon length of service, age, earnings, breaks in service, etc. These records are usually maintained by the plan sponsor (usually the employer who is offering the plan).

**Contribution Records** - All contributions into the plan are recorded. These records should track contributions individually, total contributions into the plan, as well as contributions by participant. They also help determine if any contributions into the plan are not timely (delinquent contributions). These records are generally maintained by the custodian of the assets. It is not unusual for the plan sponsor to keep record of these in conjunction with their payroll records. Roth contributions, if allowed by the plan, should be tracked separately and maintained in a separate account due to differing tax treatment.

**Distribution Records** – All distribution records for participants should be retained. These records include distributions for participants no longer employed by the plan sponsor, in service distributions subject to plan limitations, as well as loan distributions. Examples of distribution records include fully executed distributions request forms, copies of distribution checks for rollover distributions and lump sum distributions with taxes withheld, fully executed loan requests, copies of amortization schedules, and copies of loan checks made out to participants. Frequently, the asset custodian will have summary schedules of these transactions.

**Individual Participant's Account Information** – ERISA requires each participant's share of total plan net assets to be tracked and maintained. Changes to each participant's account are allocated in accordance with the plan document. In aggregate all participant account balances should agree with the plan's net assets. These records are often maintained by the custodian of the assets and aggregated in such a manner to view each participant's account balance as it relates to the entire net assets of the plan. Another example of this kind of record is an individual participant statement which can be helpful if confirming account balances as well.

**Administrative Expenses** – Expenses charged by the custodian of the assets or by the TPA can be verified by invoices, contracts, etc. Often these expenses are summarized by the custodian of the assets.

**Reconciliations of Plan Records** – The plan administrator should reconcile their records with the asset custodian records and the TPA's records.

For more information on this topic, please contact Paul McGovern at [PMcGovern@DowneyCoCPA.com](mailto:PMcGovern@DowneyCoCPA.com).

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