



Determining the Number of Participants

Form 5500 reporting requirements vary based on the number of plan participants. Thus, determining the number of participants is crucial to determining which schedules should be filed with the Form 5500. Line 5 of Form 5500 details the number of participants at the beginning of the plan year, and the instructions to Form 5500, Lines 5 and 6, give guidance on counting the number of participants. Participants include the following:

Active Participants include current employees who are covered by the plan or who are earning or retaining credited service under the plan including non-vested participants. As mentioned previously, all eligible employees including those eligible employees without account balances are included in this category. This category does not include non-vested former employees who have incurred a break in service or former employees who have received a deemed distribution or a “cash-out” distribution of their entire non-forfeitable accrued benefit. Employees who have rolled over amounts into the plan but are not yet eligible participants should not be counted, in Downey & Company’s opinion.

Retirees or Separated Participants Who Are Receiving Benefits

Retired or separated participants receiving benefits are considered participants. For example, individuals who are retired or separated from employment and are covered by the plan and, in addition, individuals who are currently receiving benefits under the plan are considered participants. Those for whom an insurance company has made an irrevocable commitment to pay all benefits (that is, those covered by an allocated insurance contract) are not included as participants.

Retirees or Separated Participants Entitled to Begin Receiving Benefits in the Future

Other retired or separated participants entitled to future benefits are considered participants. For example, any individuals who are retired or separated from employment covered by the plan who are entitled to begin receiving benefits under the plan in the future are considered participants. Former employees for whom an insurance company has made an irrevocable commitment to pay all benefits (that is, those covered by an allocated insurance contract) are not included.

Beneficiaries of Deceased Participants

Beneficiaries currently receiving benefits or entitled to begin receiving benefits in the future are included as participants. Those for whom an insurance company has made an irrevocable commitment to pay all benefits (that is, those covered by an allocated insurance contract) are not included.

Alternate Payees

“Alternate payees” entitled to benefits under a qualified domestic relations order are not to be counted as participants.

For more information on this topic, please contact Paul McGovern at PMcGovern@DowneyCoCPA.com.