

Which Participants Should 403(b) Sponsors Include on Their Plan's Form 5500?

Experts from Groom Law Group and CAPTRUST answer questions concerning retirement plan administration and regulations.

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Q: In preparing our Form 5500 this year, our recordkeeper told us that we needed to include participants in our 403(b) plan who are eligible to participate but do not defer and have a \$0 account balance. I'm confused because I had read that, beginning in 2023, we no longer had to include such participants in our count. Am I right, or is our recordkeeper correct?

Kimberly Boberg, Kelly Geloneck, Emily Gerard and David Levine, with Groom Law Group, and Michael A. Webb, senior financial adviser at CAPTRUST, answer:

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A: You are right about the change that took effect for plan years beginning on or after January 1, 2023, but that change applies to a specific participant count. For plan years beginning on or after January 1, 2023, a defined contribution plan's status as a large or small plan for Form 5500 filing purposes is generally determined using the number of participants with account balances as of the beginning of the plan year. Thus, an eligible employee with no account balance is not included in that particular count.

That change did not, however, eliminate zero-balance participants from every participant count reported on Form 5500. Form 5500 contains several participant-count questions, and each has its own instructions regarding who must be included. Depending on the particular line being completed, eligible employees with \$0 account balances may need to be included. Thus the answer depends on which Form 5500 line is being completed. The instructions for each specific line should be followed.

NOTE: This feature is to provide general information only, does not constitute legal advice and cannot be used or substituted for legal or tax advice.

Do YOU have a question for the Experts? If so, we would love to hear from you! Simply forward your question to Amy.Resnick@issmarketintelligence.com with Subject: Ask the Experts, and the Experts will do their best to answer your question in a future column.

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