



# ERISA, Form 5500, and Plan Numbers: What Employers Need to Know About Compliance

Compliance isn't usually the first thing employers think about when setting up a benefits plan. But when something gets missed, it can quickly become a major concern. A late Form 5500 filing, an overlooked plan document, or a simple plan number mistake can lead to frustrating and expensive consequences.

It's easy to assume that offering benefits means everything is in order. However, the Employee Retirement Income Security Act, or ERISA as it's commonly known, includes specific documentation, reporting, and fiduciary responsibility requirements. These details play an important role in keeping the business protected and employees well informed.

**Even a simple mistake, like an incorrect plan number, can lead to steep fines and compliance headaches.**



Taking a few simple steps upfront can prevent bigger problems later. And for those working closely with employer groups, having a solid understanding of where compliance often breaks down is one of the best ways to provide meaningful support.

## ERISA: THE FRAMEWORK FOR EMPLOYER-SPONSORED PLANS

ERISA outlines the rules for employer-sponsored benefit plans, including group health coverage. It's not uncommon for employers to assume they're covered just by offering benefits. In reality, the law requires specific documentation, reporting, and fiduciary responsibilities that are easy to overlook.

One area that trips up many employers is the Summary Plan Description (SPD). A certificate of coverage from the carrier might seem like enough, but it doesn't meet ERISA's requirements. Employers are expected to provide a formal SPD that clearly explains the plan to employees. Without it, they could face fines of up to \$110 per day per participant and potential legal challenges.

Fiduciary responsibility is another critical piece. Employers must act in their employees' best interest when managing benefits. That includes handling plan funds properly, keeping disclosures current, and avoiding conflicts of interest.



**Missing or inadequate SPDs can cost employers up to \$110 per day, per participant.**

The good news is that staying on top of these responsibilities isn't as complicated as it may seem. A little attention to documentation and an occasional compliance check can go a long way in avoiding problems later.

### **FORM 5500: WHAT IT IS AND HOW TO STAY COMPLIANT**

Form 5500 is one of the most overlooked parts of benefits compliance. The annual report provides the Department of Labor and IRS with significant financial and operational information about an employer's benefits plan.

Many businesses find out too late that a filing is required. In general, Form 5500 is needed when a plan has 100 or more participants, even if it's fully insured. Employers with a self-funded plan held in trust must also file, regardless of size. And even fully insured plans can trigger a filing requirement if they're part of a wrap plan.

Penalties for missing a filing can add up quickly, reaching \$2,400 per day per plan until the report is submitted. A common misconception is that the carrier or third-party administrator takes care of it automatically. In many cases, it's the employer's responsibility. That's why a quick compliance check can help catch issues before they become costly.

### **LEGISLATIVE UPDATES AFFECTING FORM 5500 COMPLIANCE**

Several recent and upcoming changes have made Form 5500 compliance even more critical for employers to revisit. New rules are influencing how plans are classified, who is required to file, and how non-compliance is penalized.

The SECURE Act adjusted how participant counts are calculated, which can impact whether a plan is considered large enough to require an audit. Employers must also include long-term, part-time employees in their counts, which may push some plans over the filing threshold.

At the same time, penalties have become steeper. Employers that miss a filing deadline can now face fines of \$250 per day, up to \$150,000 per plan year. And with the shift to mandatory electronic filing through the EFAST2 system, staying organized and up to date is more important than ever.

If an employer hasn't reviewed their filing requirements in a while, now is a good time. These updates can create new obligations, and getting ahead helps avoid unnecessary stress later.



**Form 5500 penalties can reach \$2,400 per day—just one missed filing can spiral into serious consequences.**

## PLAN NUMBERS: A SMALL DETAIL WITH BIG CONSEQUENCES

Plan numbers seem like a minor administrative detail, but they carry real weight in ERISA compliance. Every ERISA-covered plan is assigned a three-digit number, starting at 501 for health and welfare benefits, and that number is used in Form 5500 filings and other official plan documents.

If an employer offers multiple benefits, they might use one plan number under a wrap plan or assign separate numbers for each individual benefit. Problems can arise when a number is missing, entered incorrectly, or changed without reason. That can lead to filing errors, audit delays, and unnecessary penalties.

Once a plan number is chosen, it should remain the same each year. Changing it mid-process can create confusion and extra work for both the employer and any auditor reviewing their filings. Helping clients understand how to assign and maintain plan numbers is a small but important part of keeping their compliance efforts on track.



**One wrong digit in a plan number can trigger audit delays, filing errors, and unnecessary penalties.**

## WHAT'S AHEAD IN COMPLIANCE

Several upcoming changes could shift the way businesses handle benefits compliance. Lawmakers have discussed updates to the medical loss ratio (MLR) formula, which may change how rebates are calculated and distributed. At the same time, the Department of Labor is placing more focus on audits, and more employers could be selected for review.

Changes to Form 5500 rules are also on the table, particularly regarding participant counts and filings submitted electronically. These adjustments may seem small, but they can affect which plans are subject to additional reporting or audit requirements.

Staying informed now can help employers avoid being caught off guard later. Even simple updates to their processes can make a big difference when these changes take effect.

## WHY THIS MATTERS FOR AGENTS

Many employers are unaware of the details involved in staying compliant, which is why they turn to their benefits advisors for support. From missed wrap documents to unfiled Form 5500s, it's easy for important steps to slip through the cracks, especially when employers assume the carrier is handling everything behind the scenes.

Recognizing these common gaps gives you the chance to offer real value. Even a brief conversation can surface issues that are simple to fix when caught early. Asking questions about plan documentation, filing thresholds, or recent rule changes can help clients avoid unnecessary penalties.

**You don't need to be a compliance expert. Just knowing what questions to ask can help clients avoid big trouble.**

You do not need to be a compliance expert to make an impact. You reinforce your role as a trusted partner by spotting red flags and pointing clients in the right direction. Sometimes, all it takes is helping them connect with the right resource at the right time.

## **BOTTOM LINE**

ERISA, Form 5500, and plan numbers may not come up in everyday client conversations, but they are essential to staying compliant and protecting the integrity of a benefits program. Many employers simply do not realize what is required until a deadline is missed or a notice arrives.

That is where we come in. BenefitMall's compliance team offers the tools, resources, and real-world expertise to help you confidently support your clients. Whether they need guidance on documentation, help with a Form 5500 filing or just a second look at their current setup, we are here to help.

If you have employer groups that could use a compliance review or have questions about what applies to them, your local BenefitMall team is ready to assist.

## **CONTRIBUTORS**

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