

Mining retirement plan data is easy when you know what to look for

Use this quick guide to gain a competitive advantage when prospecting for new business

Form 5500 may contain information about health, life and dental benefit programs in addition to a company's 401(k) or other qualified retirement plan. Once you've found the Form 5500 you'd like to review (see **Finding prospects** on the previous page for more information on how to search), follow these tips to cut through the clutter.

A Make sure you're looking at the **most recent Form 5500** for the plan; otherwise, the information may be out of date. The DOL's own website will have the most recent form available. (Visit efast.dol.gov and go to **Form 5500 Filing Search**.)

B Look for the **effective date of the plan**. This will tell you how long the plan has been in operation. Surprisingly, many plans are never reviewed after inception. So the older the plan, the more likely you'll be able to identify ways to improve it (the addition of a Qualified Default Investment Alternative [QDIA], an updated investment menu that's in sync with the plan's current demographics, new plan design features that may lead to better outcomes, etc.).

C Know a company you'd like to approach but aren't sure who to ask for when you call? Part II of Form 5500 – Basic Plan Information – may list the name and **contact information of the plan sponsor**. If the form only shows the name of the company, check the bottom of the page for the plan administrator's name. When you make your initial call, it's a good idea to verify that the person is still there and is the right person to speak with about the plan.

| | | | |
|---|---|--|--|
| Form 5500 <small>Department of the Treasury Internal Revenue Service</small> <hr/> <small>Department of Labor Employee Benefits Security Administration</small> <hr/> <small>Pension Benefit Guaranty Corporation</small> | Annual Return/Report of Employee Benefit Plan <small>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).</small> ▶ Complete all entries in accordance with the instructions to the Form 5500. | <small>OMB Nos. 1210-0110 1210-0089</small> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin: 5px auto;"> A </div> 2023 <hr/> <small>This Form is Open to Public Inspection</small> | |
| Part I Annual Report Identification Information <small>For calendar plan year 2023 or fiscal plan year beginning _____ and ending _____</small> | | | |
| A This return/report is for: <input type="checkbox"/> a multiemployer plan <input type="checkbox"/> a multiple-employer plan (Filers checking this box must provide participating employer information in accordance with the form instructions.) | | | |
| B This return/report is: <input type="checkbox"/> a single-employer plan <input type="checkbox"/> a DFE (specify) _____ | | | |
| <input type="checkbox"/> the first return/report <input type="checkbox"/> the final return/report | | | |
| <input type="checkbox"/> an amended return/report <input type="checkbox"/> a short plan year return/report (less than 12 months) | | | |
| C If the plan is a collectively-bargained plan, check here. _____ <input type="checkbox"/> | | | |
| D Check box if filing under: <input type="checkbox"/> Form 5558 <input type="checkbox"/> automatic extension <input type="checkbox"/> the DFVC program | | | |
| <input type="checkbox"/> special extension (enter description) | | | |
| E If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. _____ <input type="checkbox"/> | | | |
| Part II Basic Plan Information—enter all requested information | | | |
| 1a Name of plan | | 1b Three-digit plan number (PN) ▶ | |
| | | 1c Effective date of plan | |
| 2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) | | 2b Employer Identification Number (EIN) | |
| | | 2c Plan Sponsor's telephone number | |
| | | 2d Business code (see instructions) | |
| Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established. | | | |
| <small>Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.</small> | | | |
| SIGN HERE | | | |
| | Signature of plan administrator | Date | Enter name of individual signing as plan administrator |
| SIGN HERE | | | |
| | Signature of employer/plan sponsor | Date | Enter name of individual signing as employer or plan sponsor |
| SIGN HERE | | | |
| | Signature of DFE | Date | Enter name of individual signing as DFE |
| <small>For Paperwork Reduction Act Notice, see the instructions for Form 5500.</small> | | | <small>Form 5500 (2023) v. 230728</small> |

D

Lines 5 and 6 (5a and 5b in Form 5500-SF) show you **how many participants** the plan had at the beginning and end of the year. Is the plan growing?

E

Line 8a (line 9a in Form 5500-SF) offers **critical prospecting information** as a list of codes designating certain plan attributes. Those that start with the number "2" pertain to defined contribution (DC) plans. While not an exhaustive list, here are a few useful codes to look for:

2C, 2E: Indicate a **money purchase or profit-sharing plan**, respectively. If the plan does not also list code 2J, which indicates 401(k) features, the 2C and 2E codes present an opportunity to explain the potential value of incorporating 401(k) features that will enable participants to take an active role in planning for their retirement.

2F: Means the plan is a **404(c) plan**. Ask if the plan sponsor is absolutely sure that participants are receiving all of the proper disclosure and information required by ERISA (many are not); otherwise, the sponsor is open to fiduciary liability. You can also describe the benefit of 404(c) protection if no 2F code is listed.

2K: Means that the plan offers an **employer match**. If code 2K is not listed (meaning no match), you can explain how employer contributions often encourage increased deferral rates and, therefore, better potential outcomes for participants.

2S: Indicates that the plan uses **automatic enrollment** for employees who don't make an initial affirmative election to participate in the plan. Conversely, no listing of code 2S may present an opportunity to introduce auto features to the plan in an effort to increase participation and improve outcomes.

2T: Means that the plan has a **default investment option** for employees who don't make their own investment selection. If a plan doesn't have a default investment option, take the opportunity to explain the potential benefits of Qualified Default Investment Alternatives (QDIAs), such as target date funds.

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|---|--|---|--|
| 3a Plan administrator's name and address <input type="checkbox"/> Same as Plan Sponsor | | 3b Administrator's EIN | |
| | | 3c Administrator's telephone number | |
| | | | |
| 4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: | | 4b EIN | |
| a Sponsor's name | | 4d PN | |
| c Plan Name | | | |
| 5 Total number of participants at the beginning of the plan year | | 5 | |
| 6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1), 6a(2), 6b, 6c, and 6d). | | | |
| a(1) Total number of active participants at the beginning of the plan year | | 6a(1) | |
| a(2) Total number of active participants at the end of the plan year | | 6a(2) | |
| b Retired or separated participants receiving benefits | | 6b | |
| c Other retired or separated participants entitled to future benefits | | 6c | |
| d Subtotal. Add lines 6a(2), 6b, and 6c | | 6d | |
| e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits | | 6e | |
| f Total. Add lines 6d and 6e | | 6f | |
| g(1) Number of participants with account balances as of the beginning of the plan year (only defined contribution plans complete this item) | | 6g(1) | |
| g(2) Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | | 6g(2) | |
| h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested | | 6h | |
| 7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) | | 7 | |
| 8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: | | | |
| b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions: | | | |
| 9a Plan funding arrangement (check all that apply) | | 9b Plan benefit arrangement (check all that apply) | |
| (1) <input type="checkbox"/> Insurance | | (1) <input type="checkbox"/> Insurance | |
| (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts | | (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts | |
| (3) <input type="checkbox"/> Trust | | (3) <input type="checkbox"/> Trust | |
| (4) <input type="checkbox"/> General assets of the sponsor | | (4) <input type="checkbox"/> General assets of the sponsor | |
| 10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions) | | | |
| a Pension Schedules | | b General Schedules | |
| (1) <input type="checkbox"/> R (Retirement Plan Information) | | (1) <input type="checkbox"/> H (Financial Information) | |
| (2) <input type="checkbox"/> MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary | | (2) <input type="checkbox"/> I (Financial Information - Small Plan) | |
| (3) <input type="checkbox"/> SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary | | (3) <input type="checkbox"/> A (Insurance Information) - Number Attached _____ | |
| (4) <input type="checkbox"/> DCG (Individual Plan Information) - Number Attached _____ | | (4) <input type="checkbox"/> C (Service Provider Information) | |
| (5) <input type="checkbox"/> MEP (Multiple-Employer Retirement Plan Information) | | (5) <input type="checkbox"/> D (DFE/Participating Plan Information) | |
| | | (6) <input type="checkbox"/> G (Financial Transaction Schedules) | |

Line 10 schedules give you added insight into a plan

Certain plans may have additional schedules attached to their Form 5500, some of which may help you with your 401(k) prospecting efforts. Small plans that file Form 5500-SF don't file additional schedules, but some of the same information can be found within Form 5500-SF.

| | |
|---|---|
| 10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions) | |
| a Pension Schedules | b General Schedules |
| (1) <input type="checkbox"/> R (Retirement Plan Information) | (1) <input type="checkbox"/> H (Financial Information) |
| (2) <input type="checkbox"/> MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary | (2) <input type="checkbox"/> I (Financial Information – Small Plan) |
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| | (5) <input type="checkbox"/> D (DFE/Participating Plan Information) |
| | (6) <input type="checkbox"/> G (Financial Transaction Schedules) |

For example:

- **Schedule A** provides information on **the plan's insurance broker**, if applicable, including fees and commission.
- **Schedule C** is for large plans. Schedule C service codes can help you understand what other service providers are offering and allow you to determine the amount of indirect or direct compensation a third-party provider has received. *How do your fees compare to providers listed here? Could you offer better services at a more reasonable rate?*
- More important, companies that file Schedule C must attach a **plan audit**, prepared by an independent auditor, which serves as a supplement to Schedule H and contains valuable details about the plan. *Did the auditor identify any issues, like operational defects or problems with the plan's internal controls?*
- **Schedule H** is designed for plans with 100 or more participants, while **Schedule I** has less detail and is available for smaller plans. Looking at either schedule, you can get an idea of the **plan's asset mix**, including whether any assets are invested in real estate, employer securities, limited partnerships and/or participant loans. *Can you suggest improvements to the asset mix to help participants reach their goals?* You'll also be able to tell if the plan has experienced any **administrative headaches** (deemed distributions of participant loans, corrective distributions paid because of a failed IRS test, participant contributions that were deposited late, etc.). *Can you offer enhanced service?*
- **Schedule R** can give you a better **overall picture of the plan**, including distributions, funding information and employee stock ownership.

Find information on Form 5500-SF

Small plans that file Form 5500-SF don't have to file any of the schedules that larger plans may attach to the Form 5500. But some of the same information can also be found in Form 5500-SF. In particular, you can see the plan's total expenses; whether the plan experienced compliance issues such as losses due to fraud, failure to provide benefits or participant contributions deposited late; and if the plan has participant loans or paid commissions to insurance brokers.

Protect retirement plan business already on your books

Remember, while you're going online for Form 5500 information that will help you win new business, other financial professionals will be doing the same – possibly leading them to your clients.

Take defensive measures to retain that hard-earned business by regularly reviewing your own plans' 5500s. Follow the same points covered in this brochure: look for any potential weaknesses and search out areas for improvement. And if you discover a new way to help a client, it will strengthen your relationship and benefit you both.

Next steps

Keep this brochure handy as you review current and prospective clients' Form 5500s. Leverage the information when establishing contact and during your meetings.

Capital Group, home of American Funds, can help. For assistance, call us at **(800) 421-9900**.

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