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Ekon Explains -
The Dreaded Census Questionnaire

Part Five. Qualifying Plan Assets & Small Plan Audit Exemption

Why are you asking so many questions? Is this really necessary?
Why do I have to do this year after year?

As a Plan Sponsor, you likely ponder these questions every time your TPA sends out the yearly census questionnaire. The truth is the census questionnaire is a key piece of your Plan's administration and compliance. The information requested is used to help ensure that your Plan's operation conforms to your Plan Document and with current laws and regulations.

To clarify the significance of the information requested, we are breaking down the census questionnaire piece by piece in our new series, Ekon Explains - The Dreaded Census Questionnaire.

Part Five. Qualifying Plan Assets & Small Plan Audit Exemption

Are all of your Plan's Investments considered Qualifying Plan Assets? Your TPA will likely want an answer to this question on your annual census questionnaire. What are "Qualifying Plan Assets" and why does it matter?

Qualifying Plan Assets

Beginning April 17, 2001, at least 95% of Plan Assets must be "Qualifying Plan Assets" as defined by Department of Labor regulations. If this requirement is not met, an independent accountant audit or additional bonding is required. Qualifying Plan Assets include:

- Assets held by banks or similarly organized financial institutions, insurance companies, or registered broker-dealers;
- Mutual Fund shares;
- Insurance investments or annuity contracts;
- Qualifying employer securities; and
- Participant loans

Small Plan Audit Exemption

Generally, employee benefit plans must be audited annually by independent qualified public accountant as required by the Employee Retirement Income Security Act, ERISA. Plans with fewer than 100 participants may be exempt from this obligation if the Plan meets certain conditions. One of which, requires that the Plan have at least 95% Qualifying Plan Assets. Additionally, the Plan is required to include in the Summary Annual Report provided to participants and beneficiaries specific information such as the name of each regulated financial institution holding or issuing qualifying plan assets and the amount of such assets.

If less than 95% of the Plan's Investments are considered to be Qualifying Plan Assets, any person who handles the Non-Qualifying Plan Assets must be bonded in an amount more than or equal to the amount of the Non-Qualifying Assets. If the appropriate bonding is obtained and the Plan meets all other waiver requirements, the Plan may still be exempt from independent audit requirements.

For more information on Qualifying Plan Assets or the Small Plan Audit Waiver requirements, please visit Frequently Asked Questions: Small Pension Plan Audit Waiver Regulation on the DOL's Employee Benefits Security Administration website

Frequently Asked Questions: Small Pension Plan Audit Waiver Regulation. U.S. Department of Labor. Employee Benefits Security Administration. 29 December 2003.