

# FORM 5500: A GUIDE FOR EMPLOYERS

*This Guide for Employers focuses primarily on the reporting of participant headcounts on lines 5 and 6 as well as certain other information related to lines 8 and 9 of Form 5500.*

## OVERVIEW

Form 5500, including all required schedules and attachments (Annual Return/Report of Employee Benefit Plan), is used to report information to the Department of Labor (DOL) concerning employee benefit plans and Direct Filing Entities (DFEs) that are subject to the Employee Retirement Income Security Act (ERISA). Employers that sponsor ERISA benefit plans have compliance obligations regarding the annual filing of Form 5500. This Guide for Employers focuses primarily on the reporting of participant headcounts on lines 5 and 6 as well as certain other information related to lines 8 and 9 of Form 5500. It also includes information about Fidelity Bond requirements for self-insured funded plans and penalties for noncompliance with Form 5500 filing requirements. Appendix A provides a chart of **Form 5500 and Summary Annual Report Due Dates** (with and without extensions). For detailed information about Summary Annual Report (SAR) compliance obligations, including the exemption from SAR distribution requirements for plans that are not required to file a Form 5500, see the NFP publication [Summary Annual Report: A Guide for Employers](#).

The Instructions for Form 5500, Annual Return/Report of Employee Benefit Plan provide as follows regarding lines 5 and 6 in Part II: "All filers **must** complete both lines 5 and 6 unless the Form 5500 is filed for an IRA Plan described in *Limited Pension Plan Reporting* or for a DFE. Note. Welfare plans [as distinct from pension plans] complete only lines 5, 6a(1), 6a(2), 6b, 6c, and 6d" (emphasis in original).

The following constitutes generally accepted best practices for completing lines 5, 6, 8 and 9 based on guidance available in the IRS Instructions for Form 5500. Individual plan sponsor and Form 5500 service provider practices may vary. Plan sponsors should consult with legal counsel or tax advisors as needed to review the Form 5500 filing requirements for their benefit plans and confirm the contents of their Form 5500 submissions.

## SMALL PLAN EXEMPTION

Note that small welfare benefit plans (generally plans that cover fewer than 100 participants as of the beginning of the plan year and are unfunded or fully insured, or a combination of unfunded and fully insured) are not required to file Form 5500. For reference, an unfunded plan is generally a self-insured plan where benefits are paid out of the general assets of the employer maintaining the plan (and no plan assets are maintained in a separate account or trust).

The small plan filing exemption applies for the entirety of a given plan year based on the participant count at the beginning of the plan year, even if the number of participants increases to 100 or more during the plan year. The same logic applies in reverse: a plan with 100 or more participants at the beginning of the plan year must file a Form 5500 for that plan year even if the number of participants decreases to under 100 during the plan year. See under the Plan Characteristics Codes section below for more detailed information about codes that must be included on line 8b of Form 5500 when a plan newly gains or loses its small welfare benefit plan filing exemption.



In the context of mergers and acquisitions, buyers that previously relied on the small plan exemption from the Form 5500 filing requirement should reassess whether the exemption still applies if newly acquired employees will also be participating in their plan(s). See the NFP publication [Health Benefits Compliance Considerations in Mergers and Acquisitions: A Guide for Employers](#) for a discussion of this and other compliance issues that arise during business reorganizations.

## IDENTIFYING PLAN PARTICIPANTS

An individual is considered a “welfare benefit plan participant” for purposes of completing lines 5 and 6 of Form 5500 if they meet the criteria for any of the following three categories: (1) an active participant (i.e., a current employee who is covered by the welfare benefit plan); (2) a retired or separated participant (i.e., a former employee who is covered by the welfare benefit plan through a COBRA or retiree benefit); or (3) a retired or separated participant who is entitled to future benefits (i.e., a former employee who is eligible to elect a COBRA or retiree benefit under the welfare benefit plan but who has not made a COBRA or retiree benefit election as of the measurement date).

A deceased employee whose beneficiary or beneficiaries are enrolled in a COBRA or retiree benefit under the welfare benefit plan is counted as a participant under category 2 (see preceding paragraph). A deceased employee whose beneficiary or beneficiaries are eligible to elect a COBRA or retiree benefit but who have not made a COBRA or retiree benefit election as of the measurement date is counted as a participant under category 3. In either case, the deceased employee is reported as one participant, regardless of the number of beneficiaries who are enrolled or eligible to enroll in the welfare benefit plan as a result of the employee's death.

Spouses, domestic partners and dependents are not counted for purposes of reporting participants for lines 5 and 6 (except insofar as their actual or eligible enrollment status triggers the counting of a deceased employee, as described above). In addition, an active employee who is eligible to participate in a welfare benefit plan but who has waived the option to enroll, or whose enrollment effective date is later than the measurement date, is not counted as a participant for purposes of completing lines 5 and 6. Certain exceptions to the “eligible versus active enrollment” distinction for counting plan participants apply when participants are not required to enroll in the plan in order to use the benefits of the plan; this may be the case, for example, for severance plans or stand-alone employee assistance program benefits.

Per the DOL, the best source for the participant counts is an effective-dated enrollment census (i.e., a point-in-time census as of the applicable measurement date) from the plan sponsor's enrollment database or the plan sponsor's COBRA and retiree third-party administrator (including for health FSAs, if applicable). The DOL standard of care is a good faith filing – that is, an estimate as determined by the plan sponsor in good faith under the terms of the plan. Additional considerations regarding participant headcounts are noted in the specific line item sub-sections below.

Where a plan sponsor has “wrapped” two or more welfare benefit plans together with a wrap document, active participant headcounts should reflect the highest employee only headcount (i.e., exclusive of enrolled dependents) from among the plans reported on the same Form 5500. This will often be the headcount for employer-paid group term life insurance if this is among the reported benefits. Plan sponsors are required to produce participant headcounts on a per plan basis only if separate Forms 5500 are filed on a per plan basis.

Note that all references to “plan year” in this publication refer explicitly to the plan sponsor's ERISA plan year as reflected in either the individual benefit plan or the wrap plan (as applicable), regardless of the policy year for any of the plan sponsor's welfare benefit plans.

## LINE ITEM PARTICIPANT HEADCOUNTS

**Line 5: “Total number of participants at the beginning of the plan year.”** Line 5 requires plan sponsors to report the total number of participants in the welfare benefit plan as of the first day of the plan year. This includes all employees and former employees who are considered participants under categories 1, 2 or 3 as described in the Identifying Plan Participants section above. Plan sponsors with relatively little change in participant enrollment between the end of one plan year and the beginning of the next plan year often use the line 6d figure from the prior plan year as a reasonable good faith estimate of the line 5 figure for the new plan year. When a plan sponsor experiences a business change (such as a significant layoff or acquisition) precisely on the first day of a plan year, it may be necessary to adjust the line 5 figure to reflect this change.

For first time filers, lines 5 and 6a(1) will often be the same number. Note that the participant count for line 5 must be 100 or more to trigger the Form 5500 filing requirement.

**Line 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).”** Line 6 as such references the component parts of line 6 and notes that welfare benefit plans (as

distinct from pension plans) are required to complete only a specific subset of the component parts of line 6.

**Line 6a(1): “Total number of active participants at the beginning of the plan year.”** Line 6a(1) requires plan sponsors to report the number of active employees (i.e., excluding retired or separated employees) who are covered under the welfare benefit plan as of the first day of the plan year. COBRA participants who are not retired or separated employees, such as non-terminated employees who experienced a COBRA-qualifying event as a result of a reduction in hours or furlough, are reported on line 6a(1) and/or line 6a(2), as applicable, but are not reported on line 6b. Plan sponsors with relatively little change in enrollment between the end of one plan year and the beginning of the next plan year often use the line 6a(2) figure from the prior plan year as a reasonable good faith estimate of the line 6a(1) figure for the new plan year.

For first time filers, in the absence of an enrollment database that can provide point-in-time participant headcount information for the beginning of the plan year, it is reasonable to use end of year headcount information from the Schedule A that covers the highest employee only headcount (i.e., exclusive of enrolled dependents) from among the plans reported on the same Form 5500. As noted above, this will often be the headcount for employer-paid group term life insurance if this is among the reported benefits.

**Line 6a(2): “Total number of active participants at the end of the plan year.”** Line 6a(2) requires plan sponsors to report the number of active employees (i.e., excluding retired or separated employees) who are covered under the welfare benefit plan as of the last day of the plan year. Plan sponsors who routinely audit their enrollment database against insurance carrier enrollment rosters (if maintained separately) often use the highest employee only headcount (i.e., exclusive of enrolled dependents) from the carrier’s Schedule A for purposes of line 6a(2), provided the policy end date reflected on the Schedule A matches the ERISA plan year end date. If the relevant Schedule A headcount information includes only a combined figure for employees and dependents, as is often the case with Schedule A documents for medical, dental and vision benefits, plan sponsors may need to rely on their own enrollment data for line 6a(2) reporting.

**Note Regarding Schedule A:** Schedule A, Insurance Information, captures information about covered lives, premiums received, and commissions/fees paid by an insurer or ASO provider during the plan year. The information from the insurer or ASO provider’s Schedule A document must be attached to each Form 5500 (via a Schedule A form) if any benefits under the plan are provided by an insurance company, insurance service or other similar organization. The total number of Schedule A’s attached to the Form 5500 is reflected on line 10b(3) (Insurance Information).

**Line 6b: “Retired or separated participants receiving benefits.”** Line 6b requires plan sponsors to report the number of unique participants enrolled for a COBRA or retiree benefit under the welfare benefit plan as of the last day of the plan year. (If a COBRA participant or retiree is enrolled in multiple benefits reported on the same Form 5500, the individual should be counted only once for purposes of line 6b.) If COBRA and/or retiree enrollments are not maintained in the plan sponsor’s enrollment database (as is frequently the case), plan sponsors should review all applicable insurance carrier and third-party administrator schedules (including for health FSAs, if applicable) to confirm COBRA and retiree enrollments for line 6b.

**Line 6c: “Other retired or separated participants entitled to future benefits.”** Line 6c requires plan sponsors to report the number of “Other retired or separated participants entitled to future benefits [as of the end of the plan year].” In the context of health and welfare plans (as distinct from pension plans), this refers to former employees who, as of the end of the plan year, are within their COBRA election window for any one or more COBRA-eligible benefits but who have not made a COBRA election as of that date. Plan sponsors with few “Other retired or separated participants entitled to future benefits” relative to the number of active or COBRA-enrolled participants often report “zero” on line 6c as a reasonable good faith estimate of a de minimus headcount.

**Line 6d: “Subtotal. Add lines 6a(2), 6b, and 6c.”** Line 6d requires plan sponsors to report the sum of lines 6a(2), 6b and 6c, which reflects the “Number of participants as of the end of the plan year unless otherwise stated.” If the end of plan year participant headcount on line 6d is less than 100, the Form 5500 should include code 4R on line 8b. This preserves the active status of the Form 5500 while indicating to the DOL that the plan will not file another Form 5500 until the participant count again reaches the 100 or more threshold. (See immediately below for additional information about plan characteristics codes.)

## PLAN CHARACTERISTICS CODES

**Line 8b.** Line 8b requires plan sponsors to list the plan characteristics codes that correspond to the welfare benefit features of the plan(s) reported on the Form 5500. (Line 8a pertains exclusively to plans that provide pension benefits.) The List of Plan Characteristics Codes is provided in the Instructions for Form 5500. The codes refer to specific benefit plan types (such as “Health (other than vision or dental)” and “Life insurance”, which are respectively codes 4A and 4B), as well as to certain other features of the plan or its Form 5500 filing status (such as whether the plan sponsor will not file an annual report for the next plan year or whether it stopped filing an annual report in an earlier plan year, which are respectively codes 4R and 4S).

The Form 5500 filing status codes (i.e., plan characteristics codes 4R and 4S) inform the DOL about why a plan filed or didn't file a Form 5500 in consecutive years. That is, a plan that will stop filing Form 5500 due to a reduction in the number of covered participants must enter code 4R on line 8b of its last-filed Form 5500. Note that because the Form 5500 for the prior plan year is not filed until after the start of the current plan year, the plan sponsor will know when it files this last-filed Form 5500 that it will not be required to file a Form 5500 in the following year. If the plan later exceeds the exemption threshold again, it enters code 4S on line 8b of the first Form 5500 that it later files. This code explains to the DOL why no Form 5500 was filed for the intervening year(s). Note that plans with participant counts that fluctuate above and below the 100 participant annual filing exemption threshold should use codes 4R and 4S as described in the Instructions for Form 5500 and should not check the box for either "the final return/report" or "the first return/report" in box B in Part I of Form 5500.

## PLAN FUNDING AND PLAN BENEFIT ARRANGEMENT INFORMATION

**Line 9a and 9b.** Line 9a ("Plan funding arrangement") and line 9b ("Plan benefit arrangement") require plan sponsors to designate which one or more funding and benefit arrangements apply to the welfare benefit plan(s) reported on the Form 5500. The four options are: (1) Insurance; (2) Code section 412(e)(3) insurance contracts; (3) Trust; and (4) General assets of the sponsor. In general, plan sponsors that are reporting on fully insured plans should designate the plans as "Insurance" on lines 9a and 9b, whereas plan sponsors that are reporting on self-insured plans, including health FSAs or HRAs, should designate the plans as "General assets of the sponsor" on lines 9a and 9b. Plan sponsors that report both fully insured and self-insured benefits on the same Form 5500, as permitted if the plan sponsor has a wrap plan document, will check the boxes for both "Insurance" and "General assets of the sponsor" on lines 9a and 9b. Plan sponsors that are reporting on a health FSA or an HRA should designate the plan as "General assets of the sponsor" for purposes of lines 9a and 9b. (Note that dependent care FSAs and HSAs are not ERISA plans and therefore are not reported on Form 5500.)

## FORM 5500 DUE DATE

Applicable plan sponsors must file Form 5500 electronically, including all required schedules and attachments, by the last day of the seventh month following the end of the ERISA plan year. For calendar year ERISA plans, the Form 5500 due date is therefore July 31. Plans may request a two-and-a-half-month extension of time to file by submitting Form 5558, Application of Extension of Time to File Certain Employee Plan Returns, by the plan's original due date. (See Appendix A, **Form 5500 and Summary Annual Report Due Dates**.) If the default or extended Form 5500 due date falls on a weekend or federal holiday, the due date is extended to the next business day. The same logic applies to the due date for the corresponding Summary Annual Report.

There are significant penalties for late filing or failure to file Form 5500. For a more detailed discussion of late filing penalties as well as information regarding Form 5500 record retention requirements, see the NFP publication [ERISA Compliance Considerations for Health and Welfare Benefit Plans](#).

## ADDITIONAL REQUIREMENTS FOR SELF-INSURED PLANS

**Fidelity Bond.** Plans that hold plan assets in a trust or separate account are considered funded. Plan fiduciaries who handle plan funds or other plan property must be covered by a Fidelity Bond, which is a type of insurance that protects the plan from losses due to a fiduciary's fraud or dishonesty. If there is any segregation of the employer and employee contributions to a trust or another account in the name of the funded plan, then the plan is subject to the ERISA Fidelity Bond requirement. There is no separate notice requirement related to a Fidelity Bond, but the existence of a Fidelity Bond is reported on Form 5500.

**Accountant Opinion.** Large funded welfare plans must submit Schedule H with their Form 5500. Schedule H captures disclosures of the plan's assets and liabilities at the beginning and end of the plan year and plan income and expenses throughout the year. Schedule H must be accompanied by an Accountant's Opinion prepared by an independent qualified public accountant (IQPA).

## PENALTIES FOR NONCOMPLIANCE

Both administrative and criminal penalties apply to the failure to file Form 5500. For penalties assessed after January 15, 2023, and for violations that occurred after November 2, 2015, the DOL can assess administrative penalties of up to \$2,586 per day that the filing is late. Willful violations of the Form 5500 reporting requirements carry criminal penalties up to 10 years in prison and a \$100,000 fine.

The DOL may impose lower penalties pursuant to its late filer and non-filer enforcement program. When a plan administrator

identifies and voluntarily corrects late or missed Form 5500 filings under the DOL's Delinquent Filer Voluntary Compliance Program (DFVC) (i.e., before the DOL identifies the failure), the DOL may assess even lower penalties.

## SUMMARY

Employers that sponsor group health plans that are subject to ERISA should be closely attentive to compliance obligations regarding the annual filing of Form 5500 with the DOL and the related annual distribution of the SAR to plan participants. To discuss your Form 5500 and SAR compliance considerations and other aspects of your employee benefits program, or for copies of NFP publications, contact your NFP benefits consultant. For further information regarding NFP's full range of consulting services, see [NFP.com](https://www.nfp.com).

## RESOURCES

[DOL Form 5500 Series Web Page \(Instructions, Forms and Schedules\)](#)

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## APPENDIX A

### Form 5500 and Summary Annual Report Due Dates

ERISA Plan Year Start Date	ERISA Plan Year End Date	Form 5500 Due Date (without Form 5558 Extension)*	SAR Due Date (without Form 5558 Extension)*	Form 5500 Due Date (with Form 5558 Extension)*	SAR Due Date (with Form 5558 Extension)*
January 1	December 31	July 31	September 30	October 15	December 15
February 1	January 31	August 31	October 31	November 15	January 15
March 1	February 28/29	September 30	November 30	December 15	February 15
April 1	March 31	October 31	December 31	January 15	March 15
May 1	April 30	November 30	January 31	February 15	April 15
June 1	May 31	December 31	February 28/29	March 15	May 15
July 1	June 30	January 31	March 31	April 15	June 15
August 1	July 31	February 28/29	April 30	May 15	July 15
September 1	August 31	March 31	May 31	June 15	August 15
October 1	September 30	April 30	June 30	July 15	September 15
November 1	October 31	May 31	July 31	August 15	October 15
December 1	November 30	June 30	August 31	September 15	November 15

\*When the due date falls on a weekend or federal holiday, the due date is extended to the next business day.