

Flex Plan News

✓ BENEFITS... *SOLVED!*

Flexible Benefit Plan News for Administrators

August 2001

Flex Plans Need Own Bank Account

Some clients use our "Admin Account", meaning they mail FSA withholdings money to our administrative bank account each month, from which we write benefit checks.

Beginning January 1st, 2002, each plan must open its own "benefits account". Here's why...

ERISA law generally requires a separate trust and reporting requirements for plan assets of employee benefit plans, resulting in complexity and cost for employers. Fortunately, there is a Non-Enforcement Policy* to simplify things for plans meeting certain standards. *The key is to avoid creating "plan assets"*.

We recently learned that paying FSA claims from a TPA's central admin account *may create plan assets* and thus jeopardize your eligibility for this Non-Enforcement Policy. Claims should instead be paid from an employer bank account on which the TPA is given check-writing authority. These funds are not considered a plan asset if the bank account is a general asset of the employer, not a specifically established trust account.

Bottom line: To keep our flex plans in compliance, beginning 1/1/2002 we will discontinue our Admin Account and require that all plans have their own bank account. The bank account should simply be titled in the name of the business, not "Flexible Benefit Plan Account".

See full details on our web site at this link:
<http://www.probenefits.com/A-Flex/BankAccount.htm>

* ERISA Technical Release 92-01, the Department of Labor's "Non-Enforcement Policy" for plans that comply with certain standards.

Quickies

♦ IRS Form 5500

We recently sent Form 5500 to all calendar year plans and other plans with years ending thru June. The filing deadline is 7 months after the plan year end (July 31st for calendar year plans). Please fax us the Response Form, indicating you received your Form 5500!



Your Questions Answered

Why do the figures on Form 5500 Schedule F not agree with the total pre-tax withholdings from our payroll records?

Schedule F is the "Fringe Benefit Plan Annual Information Return". You are probably concerned about Line 5, "Total cost of the fringe benefit plan for the plan year".

Calculation of this answer is tricky. Many employers report the wrong information to the IRS!

Logic suggests that you report total pre-tax contributions by employees during the plan year for insurance premiums and, if applicable, FSAs.

It's the *calculation* of insurance premiums that is key. Example: Joe Employee pays \$400/month for family coverage in addition to company's \$200/month employee-only coverage contribution, for a total monthly premium of \$600. The full \$600 premium is considered to be under the flex plan and is thus reportable on Form 5500!

If any part of a premium is pre-taxed, the full premium is considered under the flex plan, thus included in non-discrimination testing and reportable on Form 5500. This is why we carefully track and audit your plan's premium information.

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