Part 1
Introduction

General

.01 This publication includes the following parts:

- **Part 2, "Financial Statements and Notes Checklist."** For use by preparers of defined contribution retirement plan financial statements and by practitioners who audit them as they evaluate the adequacy of disclosures.
- **Part 3, "Auditor's Report Checklist."** For use by auditors in reporting on audited defined contribution retirement plan financial statements.
- **Part 4, "Illustrative Financial Statements and Auditor's Reports."** Illustrating full sets of defined contribution retirement plan financial statements, notes, and auditor's reports.

.02 The checklists and illustrative financial statements have been developed by the AICPA Accounting and Auditing Content Development team to serve as nonauthoritative practice aids for use by preparers of financial statements of defined contribution (DC) plans and by practitioners who audit them. The auditor's and accountant's report checklists address those requirements most likely to be encountered when reporting on financial statements of a DC plan prepared in conformity with U.S. generally accepted accounting principles (GAAP). They do not include reporting requirements relating to other matters such as internal control, agreed-upon procedures, compilations, or reviews. The financial statement and notes checklist includes disclosure considerations applicable to DC plans in preparing financial statements in conformity with GAAP. These checklists and illustrative materials are not intended to be used in connection with the preparation or audit of the financial statements of defined benefit or health and welfare plans.

.03 Users of the financial statements and notes checklist should remember that it is a disclosure checklist only and not a comprehensive GAAP application or measurement checklist. Accordingly, application and measurement issues related to preparing financial statements in conformity with GAAP are not included in the checklist.

.04 In the context of this checklist, reference to DC plans refers to defined contribution retirement plans only and does not include defined contribution health and welfare benefit plans.

.05 Relevant financial statement reporting and disclosure guidance issued through March 1, 2017, has been considered in the development of this edition of the checklist. This includes relevant guidance issued up to and including the following:

- FASB Accounting Standards Updates (ASUs) issued through March 1, 2017
- SAS No. 132, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* (AICPA, *Professional Standards*, AU-C sec. 570)
- Interpretation No. 3, "Reporting on Audits Conducted in Accordance With Auditing Standards Generally Accepted in the United States of America and International Standards on Auditing" (AICPA, *Professional Standards*, AU-C sec. 9700 par. .08–.13), of AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*
- AS 2410, *Related Parties* (AICPA, *PCAOB Standards and Related Rules*)
- Staff Audit Practice Alert No. 14, *Improper Alteration of Audit Documentation* (AICPA, *PCAOB Standards and Related Rules*, sec. 400.14)

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- AICPA Audit and Accounting Guide *Employee Benefit Plans* (as of January 1, 2017) (guide)

.06 This checklist includes guidance mandatorily effective for annual reporting periods ending on or before December 31, 2016. Any guidance included herein not yet mandatorily effective for annual reporting periods ending on or before December 31, 2016, is described within each section of the checklist where applicable. Users of this guide should consider guidance issued subsequent to those items listed previously to determine their effect on DC plans covered by this checklist. In determining the applicability of newly issued guidance, its effective date should also be considered.

.07 In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. FASB ASU No. 2014-09 provides a framework for revenue recognition and supersedes or amends several of the revenue recognition requirements in FASB *Accounting Standards Codification* (ASC) 606, *Revenue Recognition*, as well as guidance within the 900 series of industry-specific topics. The standard applies to any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance or lease contracts).

.08 In August 2015, FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date*, in August 2015. The amendments in FASB ASU No. 2015-14 defer the effective date of the guidance in FASB ASU No. 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and employee benefit plans that file or furnish financial statements with or to the SEC should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2017 (that is January 1, 2018, for calendar year plans), including interim periods within that reporting period. Early application is permitted only as of annual reporting periods beginning after December 15, 2016 (that is, January 1, 2017, for calendar year plans), including interim reporting periods within that reporting period.

.09 All other entities, should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018 (that is, January 1, 2019, for calendar year plans), and interim periods within annual periods beginning after December 15, 2019. Other entities may elect to adopt the standard earlier as of an annual reporting period beginning after December 15, 2016 (that is, January 1, 2017, for calendar year plans) and interim reporting periods within annual reporting periods beginning one year after the annual reporting period in which the entity first applies the guidance in FASB ASU No. 2014-09.

Readers are encouraged to consult the full text of FASB ASU No. 2014-09 and FASB ASU No. 2015-14 on FASB's website at www.fasb.org.

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.10 In December 2016, FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. The amendments in this ASU are of a similar nature to the items typically addressed in the Technical Corrections and Improvements project. However, FASB decided to issue a separate ASU for technical corrections and improvements to FASB ASC 606 and other topics amended by FASB ASU No. 2014-09 to increase stakeholders' awareness of the proposals and to expedite improvements to FASB ASU No. 2014-09. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements for FASB ASC 606 (and any other topic amended by FASB ASU Nos. 2014-09 and 2015-14).

.11 The AICPA has formed 16 industry task forces to assist in developing a new Accounting Guide on revenue recognition that will provide helpful hints and illustrative examples for how to apply the new standard. Revenue recognition implementation issues identified will be available for informal comment, after review by the AICPA Financial Reporting Executive Committee (FinREC), at www.aicpa.org/InterestAreas/FRC/AccountingFinancialReporting/RevenueRecognition/Pages/RevenueRecognition.aspx?cm_em=cpa'sonstaff@aicpa.org&cm_mmc=Newsletters-_-CheetahMail-_-FRC_AIJUN101-_-JUNE14.

.12 This checklist has not been updated for the presentation and disclosure requirements of FASB ASU No. 2014-09 and related FASB ASUs. The checklist will be updated closer to the effective date of FASB ASU No. 2014-09 and related FASB ASUs.

.13 In February 2017, FASB issued ASU No. 2017-06 *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Ben-*

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efit Plan Master Trust Reporting (a consensus of the Emerging Issues Task Force). FASB ASU No. 2017-06 relates primarily to the reporting by an employee benefit plan for its interest in a master trust. A master trust is a trust for which a regulated financial institution (bank, trust company, or similar financial institution that is regulated, supervised, and subject to periodic examination by a state or federal agency) serves as a trustee or custodian and in which assets of more than one plan sponsored by a single employer or by a group of employers under common control are held.

.14 For each master trust in which a plan holds an interest, the amendments in FASB ASU No. 2017-06

- require a plan's interest in that master trust and any change in that interest to be presented in separate line items in the statement of net assets available for benefits and in the statement of changes in net assets available for benefits, respectively.
- remove the requirement to disclose the percentage interest in the master trust for plans with divided interests.
- require that all plans disclose the dollar amount of their interest in each of those general types of investments, which supplements the existing requirement to disclose the master trust's balances in each general type of investments.
- require all plans to disclose
  - — their master trust's other asset and liability balances and
  - — the dollar amount of the plan's interest in each of those balances.
- do not require that the investment disclosures relating to the 401(h) account assets be provided in the health and welfare benefit plan's financial statements. The amendments will require the health and welfare benefit plan to disclose the name of the defined benefit pension plan in which those investment disclosures are provided, so that participants can easily access those statements for information about the 401(h) account assets, if needed.

.15 The amendments in FASB ASU No. 2017-06 are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. An entity should apply the amendments in FASB ASU No. 2017-06 retrospectively to each period for which financial statements are presented. The preparers of this checklist believe that many DC plans will want to early adopt the guidance in FASB ASU No. 2017-06. Accordingly, this checklist has been updated to include the presentation and disclosure requirements of FASB ASU No. 2017-06. For DC plans that are not early adopting FASB ASU No. 2017-06, the checklist will also include presentation and disclosure requirements in effect prior to the implementation of FASB ASU No. 2017-06.

.16 FASB ASU No. 2017-06 guidance is contained in FASB ASC 960, 962, and 965 and is marked as "Pending Content." Readers are encouraged to read the entire text of FASB ASU No. 2017-06, which is available on FASB's website at www.fasb.org.

.17 In July 2015, FASB issued a three part ASU, FASB ASU No. 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient (consensuses of the FASB Emerging Issues Task Force)*, to reduce complexity in employee benefit plan accounting, which is consistent with its Simplification Initiative. The objective of FASB's Simplification Initiative is to identify, evaluate, and improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements.

.18 Part I of FASB ASU No. 2015-12 contains amendments to the requirement to report fully benefit-responsive investment contracts (FBRICs) at fair value in determining the net assets of an employee benefit plan (EBP). Formerly, FASB ASC 962, *Defined Contribution Pension Plans*, required FBRICs to be measured at contract value with an adjustment on the face of the financial statements to reconcile fair value to contract value. Plan sponsors and EBP accountants and auditors often expressed that fair value was not meaningful information as contract value is the amount that EBP participants would receive if they would withdraw

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from the plan (with a few exceptions). Also, investment contracts are reported at contract value for Form 5500 reporting purposes. Under the amendments in Part I of FASB ASU No. 2015-12, FBRICs are to be measured, presented and disclosed only at contract value. The amendments apply to defined contribution pension plans and defined contribution health and welfare plans, FASB ASC 962 and FASB ASC 965, *Health and Welfare Benefit Plans*, respectively. Such plans will continue to disclose information regarding the nature and risks of FBRICs.

.19 Part II of FASB ASU No. 2015-12 contains amendments to simplify and make more effective plan investment disclosure requirements of FASB ASC 820, *Fair Value Measurement*, and FASB ASC 960, *Defined Benefit Pension Plans*, 962, and 965. Previously EBPs were required to disclose (1) individual investments that represented 5 percent or more of net assets available for benefits and (2) the net appreciation (depreciation) of investments by general type, as defined. The amendments in Part II of FASB ASU No. 2015-12 eliminate those requirements for both participant-directed investments and nonparticipant-directed investments. Total net appreciation (depreciation) is still required to be disclosed.

.20 In addition, EBPs were previously required to present investments by general type. FASB ASC 820 requires the presentation of assets to be disaggregated based on the nature, characteristics, and risk. The amendments in Part II of FASB ASU No. 2015-12 require that investments (both participant-directed and nonparticipant-directed) of employee benefit plans be grouped only by general type, eliminating the need to disaggregate the investments in multiple ways. In addition, if an investment is measured using net asset value per share (or its equivalent) practical expedient and that investment is in a fund that files a Form 5500, as a direct filing entity, disclosure of that investment's strategy is no longer required.

.21 Part III of FASB ASU No. 2015-12 provides a practical expedient that allows an employee benefit plan (plan) to measure investments and investment-related accounts as of a month-end date that is nearest to the plan's fiscal year-end when that does not coincide with a month-end. This is referred to as the *alternative measurement date*. This practical expedient, if elected, is required to be applied consistently from year to year. If a plan applies the practical expedient and a material contribution, distribution, a significant event, or both occurs between the alternative measurement date and the plan's year end, the plan should disclose the related amounts. The plan is also required to disclose the accounting policy election and the date used to measure investments and investment-related accounts.

.22 The amendments in Parts I, II, and III of FASB ASU No. 2015-12 are effective for fiscal years beginning after December 15, 2015 (that is, January 1, 2016, for calendar year plans). Earlier adoption was permitted. The amendments in Parts I and II of FASB ASU No. 2015-12 should be applied retrospectively for all financial statement periods presented. The amendments in Part III of FASB ASU No. 2015-12 should be applied prospectively. This checklist has been updated to include the presentation and disclosure requirements of FASB ASU No. 2015-12. This guidance is contained in FASB ASC 960, 962, and 965 and is marked as "Pending Content." For defined contribution plans that did not adopt FASB ASU No. 2015-12 early, the AICPA is continuing to offer the 2015 edition of the AICPA Audit and Accounting Guide *Employee Benefit Plans* for guidance prior to the issuance of FASB ASU No. 2015-12. Readers are encouraged to read the entire text of FASB ASU No. 2015-12 which is available on FASB's website at www.fasb.org.

.23 This checklist has also been updated to include the presentation and disclosure requirements of FASB ASU No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent)*. See further discussion of FASB ASU No. 2015-07 in the "Fair Value Measurements" subsection of section V, "Other Financial Statement Disclosures."

Instructions

.24 The checklists consist of a number of questions or statements that are accompanied by references to applicable sources. The questions or statements correspond to presentation and disclosure items that are required by authoritative guidance or are recommendations (see discussion of recommended items in paragraph .25 following).

.25 In some cases, this checklist uses the term *common practice* or provides additional information to describe a disclosure item. In such cases, although no authoritative guidance supports such a disclosure for

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DC plans, it may have become a common practice that these disclosures are made. Entities should evaluate whether such items warrant disclosure in their financial statements. Often this term is associated with guidance that has been supported by FinREC. FinREC is the designated senior committee of the AICPA authorized to speak for the AICPA in the areas of financial accounting and reporting on the accounting and reporting. The source for FinREC recommendations is the guide. Although FinREC recommendations are not GAAP, plan sponsors are advised to strongly consider them, thereby creating consistency in practice. FinREC recommendations have been included in this checklist.

.26 The checklists provide spaces for checking off or initialing each question or statement (required and recommended items) to show that it has been considered. Carefully review the topics listed and consider whether they represent potential disclosure items for the DC plan for which you are preparing or auditing financial statements. Users should check or initial one of the following columns.

Yes	If the disclosure is required or is a FinREC recommended disclosure and has been made appropriately.
No	If the disclosure is required or is a FinREC recommended disclosure but has not been made.
N/A (Not Applicable)	If the disclosure is not applicable to the DC plan.

.27 For required disclosures, it is important that the effect of a "No" response be considered on the auditor or accountant's report. For audited financial statements, a "No" response that is material to the financial statements may warrant a departure from an unmodified opinion as discussed in AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report* (AICPA, *Professional Standards*).[1] If a "No" response is indicated, the Accounting and Auditing Publications staff recommends that a notation be made to explain why the disclosure was not made (for example, because the item was not considered to be material to the financial statements). AICPA members should be prepared to justify departures from GAAP, as discussed in the "Accounting Principles Rule" in the AICPA Code of Professional Conduct (AICPA, *Professional Standards*, ET sec. 1.320.001).

.28 Users may find it helpful to use the right margin for certain other remarks or comments as appropriate, including the following:

a. For each disclosure for which a "Yes" is indicated, a notation regarding where the disclosure is located in the financial statements and a cross-reference to applicable working papers where the support to a disclosure may be found.

b. For items marked as "N/A," the reasons for which they do not apply in the circumstances of the particular report.

c. For each required disclosure for which a "No" response is indicated, a notation regarding why the disclosure was not made (for example, because the item was not considered to be material to the financial statements).

d. For each FinREC recommended disclosure for which a "No" response is indicated, a notation stating that the item is a recommendation and not required. Including the reasons for not making the recommended disclosure is encouraged.

.29 These checklists and illustrative financial statements have been prepared by the AICPA staff. They have not been reviewed, approved, disapproved, or otherwise acted on by any senior committee of the AICPA and do not represent official positions or pronouncements of the AICPA.

.30 The use of this or any other checklists requires the exercise of individual professional judgment. The checklist is not a substitute for the authoritative guidance. Users of the checklists and illustrative financial statements are urged to refer directly to applicable authoritative guidance when appropriate. The checklists and illustrative financial statements may not include all disclosures and presentation items promulgated,

[1] This does not apply to an auditor's report for an ERISA limited-scope audit performed pursuant to Title 29, U.S. *Code of Federal Regulations*, Part 2520.103-8.

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nor do they represent minimum standards or requirements. Guidance deemed remote for DC plans is not included in this document. Additionally, users of the checklists and illustrative financial statements are encouraged to tailor them as required to meet specific circumstances of each particular engagement. As an additional resource, users may call the AICPA Technical Hotline at 877.242.7212.

Recognition

.31 The AICPA gratefully appreciates the invaluable assistance JulieAnn Verrekia, CPA, provided in updating and maintaining the guidance in this checklist. The AICPA gratefully acknowledges Kimber Smail of the AICPA Employee Benefit Plans Expert Panel who reviewed this edition of the checklist.

.32 We hope you find this checklist helpful as you perform your audit engagements for DC plans that prepare their financial statements based on GAAP. We would greatly appreciate your feedback on this checklist. You may e-mail these comments to Weiwei.Tang@aicpa-cima.com or write to

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Description

.33 As stated in the FASB ASC glossary, *defined contribution plans* provide an individual account for each participant and provide benefits that are based on all of the following: amounts contributed to the participant's account by the employer or employee, investment experience, and any forfeitures allocated to the account less any administrative expenses charged to the plan. These plans include (*a*) profit-sharing plans; (*b*) money purchase pension plans; (*c*) stock bonus and employee stock ownership plans (ESOPs); (*d*) thrift or savings plans including 401(k) and 403(b) arrangements; and (*e*) certain target benefit plans. Refer to chapter 5A, "Defined Contribution Retirement Plans," of the guide for a detailed discussion of the types of DC plans.

.34 The term *defined contribution retirement plan* used in this checklist is intended to encompass all defined contribution plans (except health and welfare defined contribution plans. FASB ASC uses the term *defined contribution pension plan*. This checklist has elected to use the term *defined contribution retirement plan* because it more accurately reflects all types of defined contribution plans.

AICPA Employee Benefit Plan Audit Quality Center

.35 The AICPA Employee Benefit Plan Audit Quality Center (EBPAQC) is a firm-based, voluntary membership center of more than 2,500 firms with the goal of promoting quality employee benefit plan audits. The EBPAQC provides timely e-alerts with information about recent developments affecting employee benefit plan audits. In addition, EBPAQC member firms receive valuable Employee Retirement Income Security Act of 1974 (ERISA) audit and firm best practice tools and resources that are not available from any other source. Visit the EBPAQC website at http://www.aicpa.org/InterestAreas/EmployeeBenefitPlanAuditQuality/Membership/Pages/Find%20a%20Member%20Firm.aspx to see a list of EBPAQC member firms and to preview EBPAQC benefits. For more information, contact the EBPAQC at ebpaqc@aicpa.org.

Financial Accounting and Reporting

.36 FASB ASC 962 provides standards of financial accounting and reporting for financial statements of DC plans. Other FASB ASC topics may also apply to DC plans.

.37 The primary purpose of ERISA is to protect the interests of workers who participate in employee benefit plans and their beneficiaries. ERISA seeks to attain that objective by requiring financial reporting to government agencies and disclosure to participants and beneficiaries, by establishing standards of conduct

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for plan fiduciaries, and by providing appropriate remedies, sanctions, and access to the federal courts. ERISA provides for federal government oversight of the operating and reporting practices of employee benefit plans. Under ERISA, the Department of Labor (DOL) and the IRS have the authority to issue regulations covering reporting and disclosure requirements and certain administrative responsibilities. Appendix A, "ERISA and Related Regulations," of the guide describes which plans are covered by ERISA and pertinent provisions of ERISA and related reporting and disclosure regulations issued by the DOL.

.38 Employee benefit plans that are subject to ERISA are required to report certain information annually to federal government agencies (for example, the DOL, the IRS, and the Pension Benefit Guaranty Corporation [PBGC]) and to provide summarized information to plan participants. The report of most significance to the auditor is the annual report. The annual report required to be filed for employee benefit plans generally is the Form 5500, "Annual Return/Report of Employee Benefit Plan." For many plans, the information is reported to the DOL on Form 5500, which includes financial statements prepared in accordance with GAAP[2] and certain supplemental schedules. (See paragraphs .50–.55 for a discussion of the Form 5500.)

AICPA *Technical Questions and Answers*

.39 Technical Questions and Answers (Q&A) section 6930, *Employee Benefit Plans* (AICPA, *Technical Questions and Answers*), contains helpful guidance in the form of questions and answers relating to employee benefit plan accounting, auditing, and regulatory matters. Q&As are not sources of established authoritative principles. The material is based on selected practice matters identified by the staff of the AICPA's Technical Hotline and various other bodies within the AICPA, including the AICPA Employee Benefit Plans Expert Panel, and has not been approved, disapproved, or otherwise acted upon by any senior committee of the AICPA. Consult Q&As for all technical staff questions and answers issued by the AICPA.

.40 For a listing of all recently issued questions and answers, see the AICPA website at www.aicpa.org/InterestAreas/FRC/Pages/RecentlyIssuedTechnicalQuestionsandAnswers.aspx.

Accounting and Reporting by DC Plans

.41 The following is a brief discussion of accounting and reporting by DC plans. Readers are encouraged to consult the guide, including chapter 5A, for further information, notes, and related guidance.

.42 In accordance with FASB ASC 962-10-10-1, the primary objective of a DC plan's financial statements is to provide information that is useful in assessing the plan's present and future ability to pay benefits when they are due. FASB ASC 962-205-45-1 states that the financial statements of a DC plan prepared in accordance with GAAP should be prepared on the accrual basis of accounting and should include (*a*) a statement of net assets available for benefits as of the end of the plan year (ERISA requires that this statement be presented in comparative form) and (*b*) a statement of changes in net assets available for benefits for the year then ended. According to "Pending Content" in FASB ASC 230-10-15-4, a statement of cash flows is not required to be provided by a defined benefit plan that presents financial information in accordance with the provisions of FASB ASC 960. Other employee benefit plans that present financial information similar to that required by FASB ASC 960 (including the presentation of plan investments at fair value) also are not required to provide a statement of cash flows. Employee benefit plans are encouraged to include a statement of cash flows with their annual financial statements when that statement would provide relevant information about the ability of the plan to meet future obligations (for example, when the plan invests in assets that are not highly liquid or obtains financing for investments).

[2] For employee benefit plans, the applicable financial reporting framework is typically accounting principles generally accepted in the United States of America or certain special purpose frameworks (for example, modified cash basis), as defined in AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks* (AICPA, *Professional Standards*), and as permitted by the Employee Retirement Income Security Act of 1974 and Department of Labor regulations. See paragraphs 2.03–.04 and 11.26–.34 of the AICPA Audit and Accounting Guide *Employee Benefit Plans*, 2017 edition, for further discussion about the use of special purpose frameworks in employee benefit plan financial statements.

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.43 In accordance with "Pending Content" in FASB ASC 962-205-45-2, the statement of net assets available for benefits of the plan should present amounts for all of the following:

- Total assets
- Total liabilities
- Net assets available for benefits

.44 According to FASB ASC 962-325-35-1, plan investments should generally be presented at their fair value at the reporting date (see FASB ASC 962-325-35-3 for special provisions concerning the valuation of insurance contracts and "Pending Content" in FASB ASC 962-325-35-5A for special provisions concerning the valuation of fully benefit-responsive investment contracts). FASB ASC 962-325-35-1A states that, if significant, the fair value of an investment should be reduced by brokerage commissions and other costs normally incurred in a sale (similar to fair value less cost to sell). As defined in the FASB ASC glossary, *fair value of plan investments* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, FASB ASC 962-10-05-5 states that consistent with the objective of a DC plan's financial statements, net assets available for benefits of DC plans should be measured and reported at values that are meaningful to financial statement users. "Pending Content" in FASB ASC 962-325-35-5A states that contract value is the relevant measure for the portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts. As defined by the FASB ASC glossary, the *contract value of a fully benefit-responsive investment contract* held by a plan is the amount a participant would receive if he or she were to initiate transactions under the terms of the ongoing plan. An investment contract is considered fully benefit responsive for purposes of this checklist if certain criteria are met for that contract, analyzed on an individual basis. See the FASB ASC glossary for such criteria.

.45 In accordance with "Pending Content" in paragraphs 2 and 6 of FASB ASC 962-205-45, the statement of net assets available for benefits of the plan should present amounts for (*a*) total assets, (*b*) total liabilities, and (*c*) net assets available for benefits.

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Note

Fully benefit-responsive investment contracts, as defined by the FASB ASC glossary, are limited to direct investments between the plan and the issuer. Plans may indirectly hold fully benefit-responsive investment contracts through beneficial ownership of common collective trusts (CCTs) (which own investment contracts). Insurance company pooled separate accounts (PSAs) that hold investment contracts also have similar characteristics. When CCTs and PSAs hold fully benefit-responsive investment contracts, the plan's investments in the CCT or PSA are not considered fully benefit-responsive contracts and should be reported at fair value. See chapter 8 of the guide for required disclosures related to fair value measurements in accordance with FASB ASC 820.

.46 In accordance with FASB ASC 962-205-45-6, the statement of changes in net assets available for benefits should be prepared on a basis that reflects income credited to participants in the plan and net appreciation or depreciation in the fair value of only those investment contracts that are not deemed to be fully benefit responsive.

.47 See paragraphs 5.39–.47 of the guide for further guidance on fully benefit-responsive investment contracts. Also see the "Investment and Insurance Contracts" subsection of part 2, "Financial Statements and Notes Checklist," for required disclosures in connection with fully benefit-responsive investment contracts.

Master Trusts

.48 A *master trust* is a trust account made up of assets of some or all of the employee benefit plans of a company that sponsors more than one plan or a group of corporations under common control. Typically, each plan has an undivided interest in the assets of the trust, and ownership is represented by a record of proportionate dollar interest or by units of participation. However, for certain DC plans, master trust ar-

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rangements exist whereby the investment in the master trust represents a specific interest in certain investments and possibly participant loans and, therefore, do not represent an undivided interest. Investments in a master trust should be presented in accordance with "Pending Content" in paragraphs 6–8 of FASB ASC 962-325-50. See chapter 8, "Investments," of the guide for further guidance on accounting and reporting of investments held in master trusts. See also paragraphs .13–.16 for a discussion of the presentation and disclosure guidance for master trusts contained in FASB ASU No. 2017-06 issued February 2017 and not yet effective.

Participant Loans (Notes Receivable From Participants)

.49 DC plans typically allow participants to borrow against their vested account balance. Such loans to participants are an extension of credit to a plan participant by the plan, in accordance with the plan document or the plan's written loan policy. The loan is secured by the participant's vested account balance. In accordance with FASB ASC 962-310-45-2, for reporting purposes, participant loans should be classified as notes receivable from participants. Loans to participants should be measured at their unpaid principal balance plus any accrued but unpaid interest in accordance with FASB ASC 962-310-35-2. In addition, FASB ASC 962-310-50-1 states that the fair value disclosures prescribed in "Pending Content" in paragraphs 10, 14, and 16 of FASB ASC 825-10-50 and paragraphs 11–13 of FASB ASC 825-10-50 are not required for participant loans.

ERISA Reporting Requirements

.50 ERISA generally requires that the administrator of an employee benefit plan prepare and file various documents with the DOL, IRS, and PBGC. The annual report to be filed for employee benefit plans generally is the Form 5500, *Annual Return/Report of Employee Benefit Plans*. The Form 5500 is a joint-agency form developed by the IRS, DOL, and PBGC that may be used to satisfy the annual reporting requirements of the IRC and Titles I and IV of ERISA. For purposes of Title I of ERISA only, a plan administrator may, in lieu of filing the Form 5500, elect to file the information required by ERISA Section 103. However, almost all plan administrators use the Form 5500.

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.51 In general, the Form 5500 reporting requirements vary depending on whether the Form 5500 is being filed for a large plan, a small plan, or a direct filing entity (DFE), and on the particular type of plan or DFE involved. Plans with 100 or more participants as of the beginning of the plan year must complete the Form 5500 following the requirements for a large plan. Plans with fewer than 100 participants should follow the requirements for a small plan. (There are three approaches to small plan filings. The first is Form 5500 with all attachments but replacing Schedule H, "Financial Information," with Schedule I, "Small Plan Financial Information." The second is Form 5500-SF, which is limited to small plans whose investments are limited to those with a readily determinable market value and do not include any employer securities. The final choice is Form 5500-EZ, which is generally limited to plans covering owners only.) DOL regulations permit plans that have between 80 and 120 participants (inclusive) at the beginning of the plan year to complete the Form 5500 in the same category (large plan or small plan) as was filed for the previous year. The Form 5500 and Form 5500-SF are filed with the Employee Benefits Security Administration (EBSA) in accordance with the instructions to the form.

.52 The agencies have released tips to avoid common filing errors and frequently asked questions (FAQs) for small pension plans that use the audit exception to assist filers in complying with their reporting obligations. The tips and FAQs will help plans avoid basic filing errors and explain the conditions that small pension plans must meet to be eligible for a waiver of the annual audit requirement. The FAQs also include model summary annual report language for the required participant notice under the small plan audit exception. This guidance may be found on the EBSA website at www.dol.gov/ebsa/faqs/faq_auditwaiver.html.

.53 The DOL, IRS, and PBGC released the 2016 Form 5500 return and reports, schedules, and instructions to be used by employee benefit plans for plan year 2016 filings. The modifications to the Form 5500 for plan year 2016 are described under "Changes to Note" in the 2016 instructions.

.54 All Form 5500, Form 5500-SF, and any required schedules and attachments must be completed and filed electronically using an ERISA Filing Acceptance System II (EFAST 2)-approved third-party software or using IFILE. For more information on completing and filing forms electronically through EFAST2, see the EFAST2 FAQs and publications. This guidance may be found on the EBSA website at www.dol.gov/ebsa/faqs/faq-EFAST2.html.

.55 The Form 5500 requires that certain supplemental schedules be attached to the annual Form 5500 filing using the Form 5500 series and not Form 5500-SF or 5500-EZ. Such schedules include the following:

- Schedule H, line 4a—Schedule of Delinquent Participant Contributions
- Schedule H, line 4i—Schedule of Assets (Held at End of Year)
- Schedule H, line 4i—Schedule of Assets (Acquired and Disposed of Within the Plan Year)
- Schedule H, line 4j—Schedule of Reportable Transactions

The following schedules are required to be reported on Schedule G, "Financial Transactions Schedule":

- Schedule G, Part I—Schedule of Loans or Fixed Income Obligations in Default or Classified as Uncollectible
- Schedule G, Part II—Schedule of Leases in Default or Classified as Uncollectible
- Schedule G, Part III—Nonexempt Transactions

SEC Requirements

.56 In certain circumstances, interests in plans and related entities are subject to the requirements of the Securities Act of 1933 (the 1933 Act). These requirements mandate registration, typically utilizing Form S-8 for plan sponsor securities, and subject the plan to the requirements of annual reporting on Form 11-K under the 1934 Act. Section 3(a)(2) of the 1933 Act provides exemptions from registration requirements for defined benefit plans and DC plans not involving the purchase of employer securities with employee contributions. All other plans are subject to the 1933 Act, provided they are both voluntary and contributory.

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Note

In December 2013, FASB issued ASU No. 2013-12, *Definition of a Public Business Entity—An Addition to the Master Glossary*, to amend the master glossary of FASB ASC. The master glossary term states that a public business entity is a business entity meeting certain criteria including the requirements by the SEC to file or furnish financial statements, or does file or furnish financial statements (including voluntary filers), with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing). The master glossary definition of *public business entity* also states that neither a not-for-profit entity nor an employee benefit plan is a business entity. Users of this checklist are encouraged to consult the entire text of ASU No. 2013-12 or FASB ASC for complete guidance regarding this topic.

.57 The SEC requires employee stock purchase, savings, and similar plans with interests that constitute securities registered under the Securities Act of 1933 to file Form 11-K[3] pursuant to Section 15(d) of the Securities Exchange Act of 1934. Plans that are required to file Form 11-K are deemed to be issuers under the Sarbanes-Oxley Act of 2002 (SOX) and must submit to the SEC an audit in accordance with the auditing and related professional practice standards promulgated by the PCAOB, a private sector, nonprofit corporation created by SOX to oversee the audits of issuers. These auditing standards and related conforming amendments can be found in the AICPA publication *PCAOB Standards and Related Rules* or on the PCAOB website at www.pcaobus.org.

[3] Or other applicable SEC filings, such as Form 10-K/A.

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Note

On March 31, 2015, the PCAOB adopted amendments that reorganized its auditing standards. The amendments were approved by the SEC on September 17, 2015, and were effective as of December 31, 2016. The PCAOB reorganized its auditing standards using a topical structure and a single, integrated numbering system. To implement this reorganization, the PCAOB adopted amendments to its auditing standards and rules and also rescinded certain auditing standards that were no longer necessary under the reorganization. These amendments do not impose new requirements on auditors or change the substance of the requirements for performing and reporting on audits under PCAOB standards. Specifically, the amendments to implement the reorganization include updates to the section numbers, cross references, and titles of certain standards. Other related amendments include, among others, removing standards that are no longer necessary, replacing references to generally accepted auditing standards, and updating certain PCAOB rules to reflect the reorganized auditing standards. The new organizational structure is intended to improve the usability of the PCAOB's standards, including helping users navigate the standards more easily. To facilitate navigation, the standards are organized into a logical structure by topic areas that generally follow the flow of the audit process. The reorganization also uses a numbering convention that is different from conventions used by other standard setters, which should help to avoid the potential for confusion between the standards of the PCAOB and those of other standard setters. This checklist has been updated for the reorganized PCAOB auditing standards.

.58 The instructions to the Form 11-K and Article 6A of Regulation S-X address reporting requirements for employee stock purchase, savings, and similar plans that are required to file reports with the SEC. The SEC rules for Form 11-K permit plans subject to ERISA to file financial statements and supplemental schedules prepared in accordance with ERISA rather than in accordance with Regulation S-X. To the extent required by ERISA, the plan financial statements should be audited by an independent auditor. However, an ERISA limited-scope audit report (as permitted by Title 29 U.S. *Code of Federal Regulations* Part 2520.103-8 of the DOL's Rules and Regulations for Reporting and Disclosure) or financial statements prepared in accordance with a special purpose framework, such as the modified cash basis, which are generally acceptable under ERISA regulations, are *not* considered acceptable by the SEC. See the instructions to Form 11-K and Rule 15d-21 of the 1934 Act for filing alternatives.

.59 Investments in most ESOPs are nonparticipant directed and, therefore, would not be subject to SEC reporting rules unless the ESOP has a 401(k) feature allowing the participants to direct their 401(k) investment elections and to move into or out of the employer securities held in the ESOP portion of the plan.

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Note

Applicable Auditing Standards

Although plans that are required to file Form 11-K are audited in accordance with PCAOB standards for filing with the SEC, they will also need to be audited in accordance with GAAS for filing with the DOL.

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