

Legacy Advisor

BENEFIT PLANS

Fall 2010 Issue No. 10-3

Trustee Expense Reimbursements

Under provisions of the Employee Retirement Income Security Act (ERISA), one of the primary responsibilities of plan fiduciaries is to operate a plan exclusively in the interest of participants and beneficiaries. As fiduciaries of the plan, trustees must provide sufficient detail to support expenses incurred such as hotel, meal, and travel costs. The following recommendations should be utilized to ensure sufficient detail of expenses incurred.

Guidelines describing acceptable detail of expenses are typically addressed in a plan's expense reimbursement policy. We recommend that all plans adopt a formal expense reimbursement policy which includes the following as appropriate guidelines for providing sufficient detail of expenses incurred.

Sufficient detail of trustee expenses should include the "5 Ws" –

- Who was the recipient of the goods or services, including the business relationship of those persons involved,
- What goods or services were received,
- When were the goods or services received,
- Where were the goods or services received, and
- Why the goods or services were received, including the business purpose.

In most instances, the "what," "when" and "where" are satisfied on the face of the supporting documentation. The "who" and "why" usually require additional documentation. Notations should be written on the supporting documentation providing sufficient information to satisfy any of the "5 Ws" that are not clearly indicated on the documentation.

When credit card charges are incurred, trustees must maintain original receipts for each charge, including itemized hotel invoices, transportation costs and itemized meal receipts. When dining with other individuals, supporting documentation must include written explanation of the specific business conducted and full names and titles of those persons who incur the meal and beverage charges. In the case of lodging, airfare and other travel expenses, additional information identifying the purpose for the travel must be documented.

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Legacy News

Legacy Partner Eileen Brassil authored an article that can be found in the October issue of the International Foundation of Employee Benefit Plan's (IFEBC) monthly journal, *Benefits & Compensation Digest*. Eileen's article entitled "Fair Value Disclosures – Tell Me More" begins on page 36 in the October 2010 issue.



Eric Baertsch, CPA

We are attending the IFEBC Annual Conference on November 14–17, 2010. See page 2 for more information on our speaking engagements at the conference.

We are grateful to our clients and colleagues for the referrals you send to us. We appreciate your confidence in our work. In addition to auditing hundreds of employee benefit plans, we provide audit and tax services to labor organizations, trade and professional associations, charitable organizations, villages, municipalities, school districts, and other such organizations. We audit a number of 403(b) plans as well.

Contact Marketing Director Julie Tucek at 312-384-4292 or jtucek@legacypas.com if you would like to discuss any opportunities, or if you would like to contribute to this publication.

This issue was edited by Eric C. Baertsch, CPA, Senior Manager in our Minnesota office. Eric can be reached at ebaertsch@legacypas.com or at 952-841-3950.

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IFEBP Annual Conference



Bruce Pavlik, CPA

Partner Bruce Pavlik, CPA, will be representing Legacy Professionals LLP at the 56th U.S. Annual Employee Benefits Conference Sunday, November 14 – Wednesday, November 17, 2010 at the Hawaii Convention Center in Honolulu, Hawaii.

Bruce will be speaking and/or moderating at several educational sessions at the Conference. His sessions include:

- Accountants Session P-Acct2: “Pension Plans: New Challenges and Issues” on Monday, November 15 at 2:30-3:45 p.m.

- Open Forum OF5: “Ask the Accountants” on Tuesday, November 16 at 7:00-8:15 a.m.
- Session 706: “Selecting and Transitioning to a New Administrator” on Tuesday, November 16 at 2:30-3:45 p.m.



The IFEBP Annual Conference is a great place for trustees and trust fund professionals to stay informed and catch up with clients and colleagues from all over the country. Visit <http://www.ifebp.org> for more information on the Foundation.

IRS Issues Draft Form W-2

On October 12, 2010, the IRS issued a draft Form W-2 for 2011, which employers use to report wages and employee tax withholding. The IRS also announced that it will defer the new requirement for employers to report the cost of coverage under an employer-sponsored group health plan, making that reporting by employers optional in 2011.

The draft Form W-2 includes the codes that employers may use to report the cost of coverage under an employer-sponsored group health plan. The Treasury Department and the IRS have determined that this relief is necessary to provide employers the time they need to make changes to their payroll

systems or procedures in preparation for compliance with the new reporting requirement. The IRS will be publishing guidance on the new requirement later this year.

Although reporting the cost of coverage will be optional with respect to 2011, the IRS continues to stress that the amounts reportable are not taxable. Included in the Affordable Care Act passed by Congress in March, the new reporting requirement is intended to be informational only, and to provide employees with greater transparency into overall health care costs.

Visit www.irs.gov for more information.

Trustee Expense Reimbursements

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Reimbursed meal and entertainment expenses require the names of all individuals present for such expenses, the location(s) where those expenses are incurred and the nature of the business requiring the expenses. If a vendor is unable to provide documentation for an expense, notation must be made which clearly identifies the date, amount, purpose and location where the expense is incurred, separately indicating that a receipt was not provided for the expense. It is recommended that the required information be documented on the receipt or invoice at the time the expense is incurred. Itemized restaurant receipts showing items consumed are required wherever available.

In addition to maintaining sufficient documentation of expenses, trustees should be aware of new reporting requirements for Form 5500, Schedule C. Schedule C must be completed to report persons who rendered services to or who had transactions with a plan during the reporting year if the person received, directly or indirectly, \$5,000 or more in

reportable compensation. Form 5500, Schedule C instructions specifically state the following, “For Schedule C purposes, reportable compensation includes money and any other thing of value (for example, gifts, awards, trips) received by a person, directly or indirectly, from the plan in connection with services rendered to the plan, or the person’s position with the plan.” Certain rules for non-monetary compensation of insubstantial value also apply.

For additional information about Schedule C reporting, see our article on page 4 of this issue. The frequently asked questions about Schedule C reporting are available on the Department of Labor Employee Benefits Security Administration website at www.dol.gov/ebsa/faqs.

Please let us know if you have any questions or want to talk to us further about your plan’s expense reimbursement policy.

*By Chad A. Fennell, Manager, Minnesota office
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FASB Proposes Disclosure about Participation in a Multiemployer Plan; Legacy Submits Comment Letter



Eileen Brassil, CPA

The FASB issued a Proposed Accounting Standards Update (ASU), *Disclosure about an Employer's Participation in a Multiemployer Plan*, that is intended to increase transparency in financial reporting of entities that participate in multiemployer pension and other postretirement benefit plans. Although the FASB proposal does not apply to the benefit plan's financial statement disclosures, it will affect the plan's contributing employers and will require plans to respond to a surge in demand for information.

The proposal would require numerous new quantitative and qualitative disclosures, disaggregated by plan or groups of similar plans, including:

- The number of plans in which the employer participates.
- For individually material plans, the name of the plan(s).
- Narrative descriptions of all of the following:
 - The employer's exposure to significant risks and uncertainties arising from its participation in the plan(s).
 - How benefit levels for plan participants are determined.
 - Whether the employer is or is not represented on the board of trustees of the plan(s) or a similar body.
 - The consequences the employer may face if it ceases contributing.
 - Any funding improvement plan(s) or rehabilitation plan(s), including the expected effects on the employer. For plans in regulatory warning zones, the warning status and remedies being considered by the plan(s) should be described, if known.
- Total assets and accumulated benefit obligations of the plan(s);
- Employer's contributions as a percentage of total contribution to the plan(s) and, for comparability, that percentage for the corresponding prior periods.
- A description of the contractual arrangement(s), including all of the following:
 - The term of the current arrangement(s).
 - For each future year covered by a contract, the agreed-upon basis for determining contribution(s).
 - Any minimum contribution(s) required by the agreement(s).

- Percentage of the employer's employees covered by such plan(s).
- Quantitative information about the employer's participation in the plan(s), for example, the number of its employee participants as a percentage of total plan participants disaggregated between active and retired participants, if obtainable, as of the most recent date available.
- Amount of contributions for the current reporting period.
- Expected contributions for the next annual period.
- Known trends in contributions, including the extent to which a surplus or deficit in the plan may affect future contributions.
- For plans for which an amount is required to be paid on withdrawal from the plan or windup of the plan:
 - Details of any agreed deficit or surplus allocation to participating employers on windup.
 - The amount that is required to be paid on withdrawal from the plan as of the most recent date available, if that information is obtainable.
 - If the amount required to be paid on withdrawal is not obtainable, information about the employer's relative participation in those plans (such as percentage of total contributions to such plans or percentage of participants covered by such plan(s)).

If approved, the proposed ASU would apply to public companies for fiscal years ending after December 15, 2010, and to nonpublic companies for fiscal years beginning on or after December 15, 2010.

As with all proposed ASUs, FASB invited individuals and organizations to provide their comments. The comment deadline recently expired on November 1, 2010. Legacy Professionals LLP joined in with many other organizations to voice significant concerns regarding the imprecise nature of these disclosures as well as the effect that implementation would have both on benefit plans and their participating employers. If you would like to read our letter, it is posted, along with over 200 others, at www.fasb.org. Under "Projects," select "Comment Letters," then select the document title "Disclosure about an Employer's Participation in a Multiemployer Plan."

Let us know if you have any questions.

By Eileen E. Brassil, CPA, Partner, Chicago office
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Schedule C Reporting – New Information for Trustees and Plan Employees



The Department of Labor's Employee Benefits Security Administration published supplemental FAQs to provide further guidance in response to additional questions from plans and service providers on the requirements for reporting other compensation on the Schedule C of the Form 5500 *Annual Return/Report of Employee Benefit Plan*. Additional guidance pertaining to trustee and plan employee expense reimbursement was posted on the DOL's website on October 14, 2010.

In response to questions where a plan trustee or employee receives reimbursement from the plan for expenses associated with travel and meals while attending educational conferences, trustees' meetings, and business meetings, the Department has determined such expenses would be reportable on Schedule C.

Disbursements to a plan trustee or plan employee for transportation, hotels, meals, and similar expenses incurred by the plan trustee or plan employee for goods and services or other things of value furnished to him or her while engaged in official plan business and paid or reimbursed by the plan are reportable compensation for purposes of the Schedule C. In addition, cash gifts and personal expenses paid by the plan to or for the plan trustee, whether paid directly through prepayment or use of credit

cards or other credit arrangement, and non-cash gifts are reportable compensation for purposes of the Schedule C.

In general, a plan trustee is included on Schedule C if total reportable compensation is \$5,000 or more. A plan employee is included on Schedule C if the total reimbursed expenses combined with other compensation received by the employee from the plan are \$25,000 or more during the plan year.

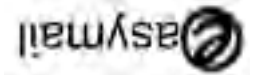
With regard to reporting plan employees' salaries, total salaries (before taxes and other deductions) paid to employees should be used to determine whether an employee has received less than \$25,000 during the plan year. The Schedule C instructions contain specific service codes for "plan employee" and "plan trustee" services.

Visit the DOL website at <http://www.dol.gov/ebsa/faqs/faq-sch-C-supplement.html> to read the "Supplemental FAQs About The 2009 Schedule C." Further inquiries regarding these supplemental FAQs may be directed to EBSA's Office of Regulations and Interpretations at 202-693-8523. We are also available to discuss your questions.

By Bob Cann, CPA, Partner, Chicago office, rcann@legacycpas.com



Please contact us at info@legacycpas.com if you would like to receive Legacy Advisor via email. Visit our website where our articles are now individually posted. Happy Holidays!



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