



Form 5500 Schedule C New Reporting Requirements Frequently Asked Questions (FAQ)

On November 16, 2007, the Department of Labor's Employee Benefits Security Administration (EBSA) published final Form 5500 revisions and a final regulation, generally effective for plan years beginning on or after January 1, 2009. Included in these changes were new requirements for reporting service provider fees and other compensation on the Schedule C of the Form 5500 Annual Return / Report of Employee Benefit Plan. As part of Transamerica's continued commitment to keep you informed of legislative changes, the purpose of this FAQ is to provide a general summary of the new Schedule C provisions.

Q1: How has the Schedule C changed from previous years?

The Schedule C now has three (3) components. Part I details direct and indirect compensation paid to service providers. Part II provides information on any service provider that fails or refuses to provide the necessary compensation information. Part III documents changes in the Independent Accountant or Enrolled Actuary.

In addition to the changes in appearance, the most notable change to the Schedule C is the requirement to disclose information on indirect compensation.

Q2: What is meant by 'direct compensation'?

Direct Compensation is compensation paid directly from plan assets for services rendered to the plan. This includes payments such as fees related to auditing, actuarial, loan processing, legal and recordkeeping.

Q3: What is meant by 'indirect compensation'?

Indirect compensation is compensation which is not paid directly from plan assets in connection with services rendered to the plan or a person's position with the plan.

Q4: What are some examples of 'indirect compensation'?

'Indirect compensation' includes such items as commissions, revenue sharing, investment management fees and non-monetary compensation such as meals, lodging or entertainment.

Q5: What is the minimum threshold amount that must be disclosed on the Schedule C?

The minimum threshold amount is \$5,000 per service provider. All direct and indirect compensation is included when determining if a service provider is above the \$5,000 threshold.

Q6: Why would I have to complete a Schedule C for the 2009 plan year, if I did not have a Schedule C in previous years?

All large plans (generally considered to be plans with over 100 participants) must now complete a Schedule C due to the disclosure requirements of indirect compensation. Previously, a large plan would have to complete a Schedule C only if the direct compensation exceeded \$5,000 paid to a single provider, or there was a termination of the plan's accountant during the plan year.

Q7: Are there any plans that will not have a Schedule C?

Yes, any plan that is a small plan (generally considered to be plans with less than 100 participants) is exempt from Schedule C reporting requirements.

Q8: Will the new disclosure requirements affect my independent plan audit?

While the plan's auditor is likely to review the Schedule C, the auditors we have consulted with regarding this issue have indicated they do not expect a significant increase in the amount of time they spend examining this schedule.

Q9: What is Eligible Indirect Compensation and what information will I receive regarding this compensation?

Eligible Indirect Compensation is described as fees or expenses charged to "investment funds" and reflected in the value of the plan's investment or return on investment. To be "eligible," written disclosure must be provided to the plan administrator identifying the service provider, services performed and fee amounts (or formulas).

For investments in Transamerica Life Insurance Company or Transamerica Financial Life Insurance Company (reported as assets on the Schedule A of the Form 5500), the compensation disclosure was mailed to plan sponsors in April 2010.

Q10: Are expenses that a Plan Sponsor pays directly, without seeking reimbursement from the plan, reportable on the Schedule C?

No. Schedule C discloses administrative expenses which the plan pays, directly or indirectly. Schedule C will not disclose an expense which the plan sponsor pays directly, and for which the plan does not reimburse the plan sponsor. If, however, the plan reimburses the plan sponsor for an expense payment, and that service provider exceeds the \$5,000 threshold, it will be reflected as a direct payment by the plan to the service provider.

Q11: If a service provider is required to be identified on Schedule C, how will the DOL know what service was provided by the provider?

For each service provider that is identified, all appropriate codes must be assigned from a list of codes that describe the services provided and the compensation received (e.g., 15 for recordkeeping services). The DOL has indicated that it will not reject a plan's Form 5500 simply because it might have used a different service or fee code, provided that a "reasonable good faith effort" was used to select the code.

Q12: Are compensation amounts reported on the Schedule A also reportable on the Schedule C?

No. However the compensation amounts are included for purposes of calculating the \$5,000 threshold for Schedule C reporting purposes.

Q13: What happens if a service provider "fails or refuses" to provide information?

For these providers, the name and EIN (or address), nature of service and a description of the information they failed or refused to provide will be detailed in Part II of the Schedule C. However for the 2009 plan year a service provider may furnish a "good faith" statement and submit an action plan of how they will make the information available in 2010. If this is completed it will not be necessary to list them in Part II of this schedule.