

What Is a Pension Plan Audit?

A [pension plan audit](#), like any audit, is a legal investigation of an individual or organization's financial accounts. An audit can be conducted either internally, by employees, or externally by an accounting firm. This financial examination is a way of ensuring that financial statements have been organized and accounted for in a fair, accurate, and legal manner. As the name would suggest, a pension plan audit is a financial audit that pertains to the person or organization that governs a pension plan. According to the U.S. Bureau of Labor Statistics, 67% of private industry workers could access a retirement plan through their employer in March of 2020. The number of workers with access to retirement plans is increased to 91% among unionized workers. These employees expect their employers to handle their retirement plans effectively and ethically. This expectation is where the pension plan audit comes into play, ensuring that the financial documentation is appropriate.

The need for a pension plan audit depends on the number of participants contributing to it. In most cases, a defined contribution or defined benefits retirement plan will be subject to a pension plan audit if it has over 100 participants. These participants include all eligible employees, including both those who are actively participating and those who have yet to enroll or are choosing not to participate in the plan. The participant count will also include any retired, deceased, or separated employees with remaining assets in the pension plan.

As stated above, the general rule of thumb is that a retirement plan with over 100 participants requires an audit. However, there is a bit of a grey zone between 80-120 participants. If there are between 80 and 120 participants, the pension plan administrator can choose if they would like to file as a small or large plan. Filing as a large plan will

require a pension plan audit while filing as a small plan will not. Note that as of 2021, there are additional requirements extended to firms that wish to file as a small pension plan.

A pension plan audit is an essential tool used to ensure the honest and ethical practice of pension plan sponsors. Workers from across the United States rely on employer-backed retirement plans for their old age security. A pension plan audit ensures that these employees' savings are handled with due diligence effectively and legally.