

ERISA Compliance: Wrapping your Welfare Benefits

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Under the Employee Retirement Income Security Act (ERISA), each plan established and maintained by an employer for the benefit of employees must be evidenced by a written document (plan document). The list of required provisions in the plan document include the following:

- Named fiduciary
- Funding policy and/or method
- How payments are made to and from the plan
- Amendment and termination procedures
- HIPAA Privacy provisions, if subject to HIPAA

Additionally, ERISA requires plan administrators to provide a summary of the terms of the plan written in a way that is understandable to the average participant, referred to as a summary plan description or SPD. The required provisions in an SPD are much more onerous than those required in the plan and the SPD is intended to be the primary vehicle for informing participants about their rights and benefits under the plan.

While insurers and administrators provide thorough documents about the benefits provided under the plan, they do not always contain all the required ERISA plan document and SPD provisions. A wrap plan and SPD

includes all the required ERISA provisions and is intended to “wrap” around the documents provided by insurers and third-party administrators for each benefit plan to ensure ERISA compliance.

A “mega-wrap” is used to wrap two or more ERISA welfare benefits sponsored by an employer into one set of plan documents. All the underlying insurance documents are included as appendices to the mega-wrap, creating one master set of documents to maintain and distribute to participants and beneficiaries.

One main benefit to a mega-wrap is the Form 5500 filing requirement due each year for ERISA plans. Plan administrators are required to file a Form 5500 for each plan with more than 100 participants on the first day of the plan year. However, the DOL allows plan sponsors to file one Form 5500 for all welfare benefits sponsored by an employer where the governing plan documents reflect an intention to provide more than one benefit under the plan. This simplifies the annual reporting process.

For more information on this reporting requirement, please see our Form 5500 Filing White Paper (<https://www.basiconline.com/wp-content/uploads/2017/09/BASIC-Form-5500-White-paper.pdf>).