

Audit Requirements for Retirement Plans

If a company's 401k plan has 120 eligible participants on the first day of the plan year, an audit is required. Once an audit has occurred, the 401k plan must be audited every year after that until the eligible participant number drops below 100.

An eligible participant is:

- Active: Current employees covered under the plan. This includes employees that are eligible but not currently contributing.
- Retired or Separated: Former employees who are entitled to future benefits (i.e. have a balance remaining)
- Deceased: Deceased former employees with one or more beneficiaries who are entitled to future benefits.

The 80-20 Rule

The DOL understands that employee sizes fluctuate so they have created the "80-20" Rule. This rule allows plans with 80 to 120 participants to forego an audit if the plan fits the category of a "small" plan in the prior tax year. This exception can allow plans with more than 100 eligible participants to continue to file as a "small" plan indefinitely, as long as the number of plan participants doesn't rise above 120.

CHECK OUT OUR PLAN AUDIT GUIDES TO HELP YOU PREPARE FOR YOUR RETIREMENT PLAN AUDIT.

[Plan Audit Checklist.pdf](#) 

[Plan Audit Guide.pdf](#) 
