



ERISA

# Accounting, Auditing, and Regulatory Updates Impacting Retirement Plans

MAY 1, 2024

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## Learning Objectives

- ▶ Identify impact of recent accounting developments on employee benefit plans
- ▶ Discuss newly effective auditing standards
- ▶ Demonstrate knowledge of legislative and regulatory changes impacting employee benefit plans





# Today's Presenters



**ERIN BREIT**

ERISA Services Practice  
Assurance Principal

303-318-6659  
[ebreit@bdo.com](mailto:ebreit@bdo.com)



**JESSICA FRIEDLY**

ERISA Services Practice  
Assurance Principal

303-318-6643  
[jfriedly@bdo.com](mailto:jfriedly@bdo.com)



**NORMA SHARARA**

National Tax - Compensation and  
Benefits Managing Director

301-354-0727  
[nsharara@bdo.com](mailto:nsharara@bdo.com)

# Agenda



Auditing and Accounting Updates



Regulatory Updates



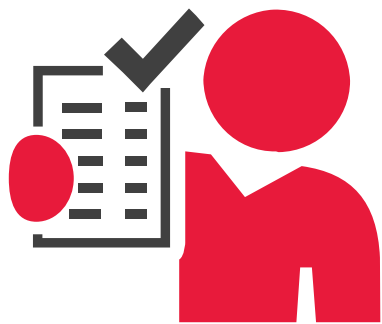
# BDO USA Employee Benefit Plan Services



# Service Lines



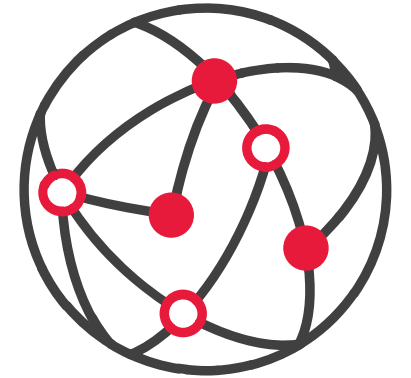
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**Compensation &  
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## THOUGHT LEADERSHIP

### RELEVANT PUBLICATIONS INCLUDE

#### ▶ [ERISA Roundup - Q1 2024](#)

- [New DOL Regulations May Bring Clarity to ESOP Valuation Process](#)
- [Complying with the SECURE Act Changes to Long-Term Part-Time Employee Eligibility and IRS Form 5500](#)
- [New Requirement to Cover Long-Term Part-Time Employees in 401\(k\) Plans Enters into Effect](#)

#### ▶ [ERISA Roundup - Q4 2023](#)

#### ▶ [Global Employer Services Newsletter](#)

#### ▶ [Spotlight on Human Resources and Cybersecurity](#)

#### ▶ [Emergency Savings Options: A Bridge to Achieve Employee Savings Goals](#)

#### ▶ [HSA Contribution Limits Set to Increase in 2024](#)

#### ▶ [Retirement Plans & Cybersecurity: Insights for Plan Sponsors](#)

#### ▶ [Clarifying the SECURE Act 2.0 Roth Catch-Up Contribution Extension](#)



ERISA WEBCAST ▶

# Accounting Updates



## NEW ACCOUNTING STANDARDS

# ASU 2023-08

- ▶ ASU 2023-08, Intangibles - Goodwill and Other - Crypto Assets
- ▶ Effective for fiscal years beginning after December 15, 2024 (early adoption permitted)
- ▶ Applicability
  - Applies to all entities, including employee benefit plans
  - Applies to DIRECT investments in Crypto assets, not indirect
- ▶ Key Provisions of this ASU
  - Requires that crypto assets are measured at fair value on the statement of net assets available for benefits, and changes to be recorded on the statement of changes in net assets available for benefits
  - Enhanced disclosures over exposure risks, significant crypto asset holdings





## CLARIFYING GUIDANCE

# Revenue Sharing Arrangements

- ▶ There has been diversity in practice with respect to the financial statement presentation of amounts received by a plan in connection with revenue sharing arrangements
- ▶ FinREC believes that a plan can elect to present revenue sharing amounts received as a
  - Separate line item in the statement of changes in net assets available for benefits; or
  - Reduction of fees paid by the plan (for example, netted against administrative expenses)
- ▶ Regardless of which financial statement presentation is established, FinREC believes that the presentation in the plan's financial statements should be applied on a consistent basis and the plan should consider whether it is a significant accounting policy that should be disclosed in the notes to the financial statements



## CLARIFYING GUIDANCE

# Contributions Receivable in a Defined Contribution Plan

- ▶ Diversity in practice with respect to contributions receivable in a DC Plan
  - **Option 1:** Record receivable if earned in period by the employee but have not yet been withheld from employee compensation. (Pay period end basis)
  - **Option 2:** Record receivable based on when amounts have been withheld from employee compensation. (Pay date basis)
- ▶ FinREC believes a DC plan can elect to recognize the employee and the related employer matching contribution either (1) in the period related to the participant's service or compensation (even if not yet withheld), or (2) in the period the employee contribution is withheld
- ▶ Regardless of which accounting policy is established, FinREC believes the DC plan's accounting policy with respect to recognizing employee contributions receivable and the related employer matching contributions should be applied on a consistent basis and the DC plan should consider whether it is a significant accounting policy that should be disclosed in the notes to the financial statements



## CLARIFYING GUIDANCE

# Certifying Entity

- ▶ Prior to SAS 136, the certifying entity in a limited scope audit was disclosed in the audit report
- ▶ Post SAS 136, the certifying entity was no longer required to be disclosed in the audit report of an ERISA Section 103(a)(3)(C) audit
- ▶ The notes to the financial statements should identify the names of the qualified certifying institution or institutions and periods covered, otherwise, this information should be included in the audit report





# Auditing Updates



## AUDITING STANDARDS

# Recently Effective Auditing Standards

- ▶ SAS 142 - Audit Evidence
- ▶ SAS 143 - Auditing accounting estimates and related disclosures
- ▶ SAS 144 - Use of specialists and use of pricing information
- ▶ SAS 145 - Risk assessment



## AUDITING STANDARDS

# Auditing Standards on the Horizon

- ▶ **SAS 146** - Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards
- ▶ **SAS 149** - Special Considerations – Audits of Group Financial Statements





# Audit Evidence

Effective Date	Periods ending on or after December 15, 2022
What's new?	<ul style="list-style-type: none"><li>▶ Supersedes AU-C Section 500, Audit Evidence</li><li>▶ Redefines that the objective of the auditor is to “<i>evaluate information to be used as audit evidence, including the results of audit procedures, to inform the auditor’s overall conclusion about whether sufficient appropriate audit evidence has been obtained.</i>”</li></ul>
Key aspects include	<ul style="list-style-type: none"><li>▶ Guidance on sufficient and appropriate audit evidence</li><li>▶ Automated tools and techniques</li><li>▶ Concept of professional skepticism</li><li>▶ Use of management specialists</li></ul>

# Auditing Accounting Estimates and Related Disclosures

Effective Date	Periods ending on or after December 15, 2023
What's new?	<ul style="list-style-type: none"><li>▶ Supersedes AU-C Section 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures</li><li>▶ Amends several other AU-C sections</li></ul>
Key aspects include	<ul style="list-style-type: none"><li>▶ Addresses the increasingly complex business environment and complexity in financial reporting frameworks</li><li>▶ Includes risk assessment requirements specific to estimates</li><li>▶ Requires a separate assessment of inherent risk and control risk</li><li>▶ Provides information about scalability of the SAS for all types of accounting estimates</li></ul>

# Use of Specialists and the Use of Pricing Information Obtained from External Sources

Effective Date	Periods ending on or after December 15, 2023
What's new?	<ul style="list-style-type: none"><li>▶ Amends AU-C Sections 501 (Audit Evidence), 540 (Auditing Accounting Estimates), and 620 (Using work of an Auditor's Specialist)</li></ul>
Key aspects include	<ul style="list-style-type: none"><li>▶ Certain amendments enhance guidance about evaluating the work of a management's specialist</li><li>▶ Provides additional guidance on the use of specialists, both auditor's and management's</li><li>▶ New appendix, "Use of Pricing Information From Third Parties as Audit Evidence," provides guidance on using such information as audit evidence for estimates related to fair value</li></ul>

# Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement

Effective Date	Periods ending on or after December 15, 2023
What's new?	<ul style="list-style-type: none"><li>▶ Supersedes AU-C Section 315</li><li>▶ Amends various other sections</li></ul>
Key aspects include	<ul style="list-style-type: none"><li>▶ New and revised risk assessment terminology, including revised definition of significant risk</li><li>▶ Clarified work effort related to understanding each of the components of internal control, including enhanced guidance on information technology (IT)</li><li>▶ Separately assess inherent risk and control risk</li><li>▶ “Maximum” control risk when controls are not tested for operating effectiveness</li><li>▶ Risk assessment “stand-back” requirement</li></ul>

SAS 146

# Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards

Effective Date	Periods ending on or after December 15, 2025
Key aspects include	▶ Clarifies and strengthens the key elements of quality management at the engagement level



# Special Considerations – Audits of Group Financial Statements

Effective Date	Periods ending on or after December 15, 2026
What's new?	▶ Supersedes AU-C Section 600

# Regulatory Updates



# SECURE 2.0 Changes

EFFECTIVE IN 2023

## Increase of RMD to Age 73

- ▶ Required minimum distribution (RMD) age must increase from 72 to 73 starting on January 1, 2023
- ▶ RMD age increased to age 75 starting on January 1, 2033

## Self-Certification for Hardship Withdrawals

- ▶ Optional provision, if available in the plan agreement, effective for plan years beginning after date of enactment
- ▶ Permits employees to self-certify an event that constitutes a deemed hardship for purposes of taking a hardship withdrawal from a 401(k) plan or a 403(b) plan
- ▶ Amount of the distribution cannot be in excess of the need
- ▶ Treasury is authorized to issue regulations overriding this rule where the plan administrator has actual knowledge to the contrary

## Permitted De Minimis Financial Incentives

- ▶ Optional provision, if available in the plan agreement, effective for plan years beginning after the date of enactment
- ▶ Enables employers to offer de minimis financial incentives, not paid for with plan assets, such as low-dollar gift cards, without those de minimis amounts being subject to section 401(k)(4)(A) and the corresponding rule under section 403(b)

# SECURE 2.0 Changes

EFFECTIVE IN 2024

## Matching Student Loan Payments

- ▶ Employers may begin making “matching” contributions based on employees’ student loan repayments

## Emergency Expense Distributions

- ▶ Plans may allow participants to take distributions of up to \$1,000 for “unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses.”
- ▶ Taxable, but not subject to the regular 10% early withdrawal penalty
- ▶ May be repaid within three years
- ▶ Separate from “hardship” distributions that plans may also offer

## Cash Out Limit Increased

- ▶ Under current law, employers may transfer former employees’ retirement accounts from a workplace retirement plan into an IRA if their balances are between \$1,000 and \$5,000
- ▶ Increases the limit from **\$5,000 to \$7,000**

# SECURE 2.0 Changes

EFFECTIVE IN 2024

## **In-Plan Emergency Savings Accounts**

- ▶ Formalized “in-plan” emergency savings account
- ▶ Requires that the in-plan savings accounts be funded with employee Roth (after-tax) deferrals and limited to \$2,500.
- ▶ Optional provision - if elected in the plan agreements

## **Domestic Abuse Victim Distributions**

- ▶ Plans allow victims of domestic abuse to take limited in-service distributions without an early withdrawal penalty.
- ▶ Optional provision - if elected in the plan agreements

## **Hardship Withdrawals from 403(b) Plans**

- ▶ Allows all contribution types to be permissible from hardship distributions
- ▶ Optional provision - if elected in the plan agreements



# SECURE and SECURE 2.0 Changes Effective in 2025

## CATCH-UP ELECTIVE DEFERRALS

- ▶ Under current law, catch-up contributions to a qualified retirement plan can be made on a pre-tax or Roth basis (if permitted by the plan sponsor)
- ▶ Section 603 provides all catch-up contributions to qualified retirement plans are subject to Roth tax treatment
- ▶ An exception is provided for employees with compensation of \$145,000 or less (indexed)
- ▶ The Internal Revenue Service has released IRS Notice 2023-62, which announces a 2-year administrative transition period

# SECURE and SECURE 2.0 Changes Effective in 2024 & 2025

## LONG TERM, PART TIME (LTPT) EMPLOYEES

- ▶ Secure Act 2.0 reduces the 3-year rule to 2 years
- ▶ The first group of part-time employees to satisfy the 3-year rule under the SECURE Act will come into effect for plan years beginning on January 1, 2024. The SECURE 2.0 changes are effective after December 31, 2024
- ▶ Plan amendments are not required until the last day of the 2026 plan year (2028 for union plans and 2029 for governmental plans). See IRS Notice 2024-2
- ▶ Allows long-term, part-time workers to participate in the employers' 401(k) plans
  - 401(k) plan must have a dual eligibility requirement under which an employee must complete either 1 year of service (with the 1,000-hour rule) or 2 consecutive years of service (where the employee completes at least 500 hours of service)
- ▶ Section 125 also provides that pre-2021 service is disregarded for vesting purposes, just as such service is disregarded for eligibility purposes under current law

# SECURE and SECURE 2.0 Changes Effective in 2024

## LONG TERM, PART TIME (LTPT) EMPLOYEES

- ▶ Key guidance includes
  - An employee is an LTPT employee only if the employee becomes eligible under a plan provision that matches the statutory LTPT service requirement. None of the special rules apply if plan lets everyone in earlier
  - Job class exclusions remain permissible, provided they do not act as proxies for impermissible age or service requirements
  - Confirmation that the 12-month periods that are counted for LTPT service begin on the hire date and may shift to the plan year
- ▶ A LTPT employee will earn vesting service for years in which the employee performs 500 hours of service even if the employee doesn't receive employer contributions before earning 1,000 hours of service
- ▶ A LTPT employee who earns 1,000 hours of service (or is otherwise eligible for reasons other than as an LTPT employee) will continue to accrue vesting service using the 500-hour per year rule

# Form 5500 Updates

- ▶ [2023 Form 5500](#) and [instructions](#) were released **January 1, 2024**
- ▶ Change in DC Plan Participant Count - beginning with 2023 plan year filings, DC plans count participants with account balances as the beginning of the plan year (except new plans use the number of participants with account balances at the end of the year), to determine if it is a small plan and exempt from the annual IQPA audit
- ▶ Schedule H - updated to add new breakout categories for “Administrative Expenses” under “Income and Expenses” in the balance sheet, for greater transparency
- ▶ New Schedule DCG - for Groups of Defined Contribution Plans to file plan-level information, but each DCG must include an IQPA report if that plan is required to have an audit under general rules
- ▶ New Schedule MEP - for multiple employer plans including links to Pooled Employer Registration
- ▶ Schedule R - now has several new IRS compliance questions on non-discrimination testing, ADP testing and pre-approved plan letters

<b>Form 5500</b> <small>Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation</small>	<b>Annual Return/Report of Employee Benefit Plan</b> <small>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).</small> <b>▶ Complete all entries in accordance with the instructions to the Form 5500.</b>	<small>OMB Nos. 1210-0110 1210-0089</small>  <b>2023</b>  <b>This Form is Open to Public Inspection</b>
<b>Part I Annual Report Identification Information</b>		
For calendar plan year 2023 or fiscal plan year beginning _____ and ending _____		
<b>A</b> This return/report is for: <input type="checkbox"/> a multiemployer plan <input type="checkbox"/> a multiple-employer plan (Filers checking this box must provide participating employer information in accordance with the form instructions.)		
<input type="checkbox"/> a single-employer plan <input type="checkbox"/> a DFE (specify) _____		
<b>B</b> This return/report is: <input type="checkbox"/> the first return/report <input type="checkbox"/> the final return/report		
<input type="checkbox"/> an amended return/report <input type="checkbox"/> a short plan year return/report (less than 12 months)		
<b>C</b> If the plan is a collectively-bargained plan, check here: _____ <input type="checkbox"/>		
<b>D</b> Check box if filing under: <input type="checkbox"/> Form 5558 <input type="checkbox"/> automatic extension <input type="checkbox"/> the DFVC program		
<input type="checkbox"/> special extension (enter description) _____		
<b>E</b> If this is a retroactively adopted plan permitted by SECURE Act section 201, check here: _____ <input type="checkbox"/>		
<b>Part II Basic Plan Information—enter all requested information</b>		
<b>1a</b> Name of plan _____	<b>1b</b> Three-digit plan number (PN) <input type="text"/>	<b>1c</b> Effective date of plan _____
<b>2a</b> Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)	<b>2b</b> Employer Identification Number (EIN) _____	<b>2c</b> Plan Sponsor's telephone number _____
	<b>2d</b> Business code (see instructions) _____	
<b>Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.</b>		
<small>Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.</small>		
<b>SIGN HERE</b>	<input type="text"/>	<input type="text"/>
	Signature of plan administrator	Date
		Enter name of individual signing as plan administrator
<b>SIGN HERE</b>	<input type="text"/>	<input type="text"/>
	Signature of employer/plan sponsor	Date
		Enter name of individual signing as employer or plan sponsor
<b>SIGN HERE</b>	<input type="text"/>	<input type="text"/>
	Signature of DFE	Date
		Enter name of individual signing as DFE
<small>For Paperwork Reduction Act Notice, see the Instructions for Form 5500.</small>		
<small>Form 5500 (2023) v. 230728</small>		

# IRS Updates

## REQUIRED AMENDMENTS LIST FOR INDIVIDUALLY DESIGNED PLANS

- ▶ For the second year in a row, the IRS Required Amendments (RA) List ([Notice 2023-79](#)) identifies no statutory or regulatory changes for individually designed qualified and Section 403(b) retirement plans
- ▶ When items appear on the annual RA List, sponsors have until the end of the second calendar year after the year the list was issued to adopt conforming plan amendments, if necessary
- ▶ This means most employers won't have a 2025 year-end required amendment deadline
- ▶ Released after issuance of the 2023 RA List, IRS [Notice 2024-2](#) extends the deadline to at least Dec. 31, 2026, for required and discretionary amendments related to recent legislation, including the SECURE 2.0 Act of 2022 ([Div. T of Pub. L. No. 117-328](#))
- ▶ However, employers making unrelated discretionary changes in 2025 generally will still need to amend their plans by the end of the 2025 plan year (Dec. 31, 2025, for calendar-year plans), in accordance with the normal discretionary amendment timing rules





# DOL Updates

- ▶ Stop Filers - Notifications are being sent to plans that have stopped filing a Form 5500 but not indicated a final return
- ▶ Independent Contractor versus Employee
- ▶ Voluntary Fiduciary Correction Program (VFCP) Update - Goal to simply and expand the correction program



# DOL Updates

It's Baaaaaaack ...

The DOL released the new ERISA Fiduciary Rule on April 25, 2024

- ▶ Effective September 23, 2024
- ▶ Investment advice fiduciary & fiduciary duty
- ▶ Likely to be challenged in courts - the outcome of which is unclear

Thank You  
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For questions or  
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Talk to an employee benefit plan audit professional. We will respond in 1-2 business days.

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Email:	What can we help you with? Select...
Tell us a bit more	

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A modern office interior featuring a staircase with a glass railing, a reception desk with the BDO logo, and large windows overlooking a city skyline. The scene is dimly lit, suggesting an evening or night setting.

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