

Summary Annual Report Fact Sheet

A Guide for Understanding the SAR

What is a Summary Annual Report (SAR)?

A Summary Annual Report (SAR) is an annual statement that summarizes the Form 5500. Benefit plans that are subject to ERISA are required to distribute SARs. SARs are not required for plans that are not required to file a Form 5500. A totally unfunded welfare plan, regardless of size, does not need to provide a SAR, even though large, unfunded welfare plans must file a Form 5500. In contrast, the SAR requirement applies to large insured plans.

When should the SAR be Distributed?

Plans must generally distribute the SAR to all plan participants by the last day of the ninth month following the end of the plan year (that is, two months following the due date for the Form 5500 filing). When a Form 5500 extension has been filed, the SAR must be distributed within two months after the extended due date.

How Should the SAR be Distributed?

The DOL regulations say the plan administrator must use "measures reasonably calculated to ensure actual receipt of the material." Thus, SARs may be distributed by any method permissible for a Summary Plan Description (SPD), including electronically.

Are there Penalties for Non-Compliance?

Willful failure to distribute the SAR is a criminal offense, punishable by a fine of not more than \$100,000 or imprisonment for not more than 10 years, or both. In the case of a violation by a person other than an individual, the fine is limited to \$500,000. Additionally, a participant who requests a SAR and does not receive it within 30 days can be awarded up to \$110 per day for each succeeding day, until the SAR is provided.

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What information must be included in a SAR?

The information contained in the SAR is based on the Form 5500. If a plan sponsor is not required to include certain information in the Form 5500 filing, it is not required to include that information in the SAR. The following list details the content that must be included in the SAR:

- ✓ The SAR must state:
 - that the individual receiving it has the right to request a copy of the Form 5500.
 - that the individual has a right to receive a statement of plan assets and liabilities, or a statement of plan income and expenses (or both).
 - that the individual has a right to examine the Form 5500 at the main office of the plan, among other locations.
- ✓ For plan benefits that are not provided through insurance, the SAR must specify the types of claims that the plan sponsor is committed to pay.
- ✓ For insured benefits, the SAR must specify the types of claims that will be paid by insurers, along with the name of each insurer and the total premiums paid for the plan year.
- ✓ If the insurance contracts are "experience rated," the SAR must include additional information about premiums and claims under the contract.
- ✓ If any funds of the plan are held in a trust or a separately maintained fund, the SAR must show the value of the plan assets as of the beginning and the end of the plan year, as well as the amount of increase or decrease in net assets.
- ✓ If plan funds are held in a trust or a separately maintained fund, the SAR must list the amount of (a) the total income during the plan year, including employer contributions, employee contributions, realized gains or losses from the sale of assets, and earnings from investments; and (b) plan expenses, including administrative expenses, benefits and other expenses.
- ✓ A list of the items in the Form 5500 (such as schedules and attachments) must be included.
- ✓ Information about how to obtain a copy of the SAR from the DOL must be included.