

What Information Do We Need to Include in Our Welfare Benefit Plan SARs?

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QUESTION: I've been tasked with reviewing the SARs prepared by the TPA for our company's welfare benefit plans. Can you summarize the information required to be included in these SARs?

ANSWER: The ERISA plan administrator is responsible for providing covered participants and certain beneficiaries with a summary annual report (SAR)—a narrative statement summarizing the more important information contained in the plan's latest Form 5500. DOL regulations provide model language and a basic format. In addition to the plan name, EIN, and type of welfare plan, welfare plan SARs must include the following information:

- *Funding and Insurance Information.* For plan benefits that are not provided through insurance, the SAR must state the type of claims that the plan sponsor is committed to pay. For insured benefits, the SAR must state the type of claims that the plan has contracts with insurers to pay, the name of each insurer, and the total premiums paid for the plan year. If the insurance contracts are "experience rated," additional information must be disclosed about premiums and claims under the contract.
- *Financial Information.* If any plan funds are held in a trust or a separately maintained fund, the SAR must set forth the value of the plan assets as of the beginning and end of the plan year; the amount of increase or decrease in net assets; the amount of total income during the plan year, including a breakdown of employer contributions, employee contributions, realized gains or losses from the sale of assets, and earnings from investments; and the amount of plan expenses, including a breakdown of administrative expenses, benefits, and other expenses. Given that the regulations specify that information in the SAR is based on Form 5500 information, it follows that a plan that is not required to include particular information in its Form 5500 (e.g., a large insured welfare plan exempt from filing financial information on Schedule H) is not required to include that information in its SAR.
- *Rights to Additional Information.* The SAR must state that the recipient has the right to request a copy of the Form 5500 (or any part of it), and must list the Form 5500 items applicable to the plan, including Schedules and attachments such as the accountant's report, information on payments to service providers, and information on insurance sales commissions. The SAR must also explain the recipient's right to receive a statement of plan assets and liabilities or of plan income and expenses (or both statements). Details regarding how to request the Form 5500 and other materials (including copying costs to the extent permitted) should be included. The SAR must also include a statement about the right to examine the Form 5500 at the plan's main office, among other places, and information about how to obtain a copy of the Form 5500 from the DOL.

If the plan administrator is required to provide summary plan description (SPD) assistance in one or more languages other than English, the SAR must contain an offer of language assistance, and describe how to obtain that assistance, in the applicable non-English language(s).

Slightly different content requirements apply to SARs for ERISA pension plans, including 401(k) plans.

For more information, see EBIA's ERISA Compliance manual at Section XXVI.B.2 ("Required Content for SARs"). See also EBIA's Self-Insured Health Plans manual at Section XXVIII.D ("Summary Annual Report (SAR)").

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