
Reducing the Burden and Increasing the Effectiveness of Mandated Disclosures

Written Statement of Mark A. Buckberg Bond Beebe, a Professional Corporation

Thank you for the opportunity to participate in this discussion on the issue of Reducing the Burden and Increasing the Effectiveness of Mandated Disclosures with respect to Employment-Based Health Benefit Plans in the Private Sector. My name is Mark Buckberg and I'm a CPA and partner with Bond Beebe, Accountants and Advisors. We are a medium-sized firm headquartered in Bethesda, MD that specializes in providing auditing and accounting services to employee benefit plans, with a focus on Taft-Hartley, multiemployer plans. We audit defined benefit pension, defined contribution pension and health and welfare plans, including many large plans in the service, construction trades, sports and entertainment industries. We pride ourselves as being quality auditors who perform more than the minimum audit procedures required by the profession. For example, we perform additional levels of quality review in our engagements and we have a team of auditors dedicated solely to auditing benefit payments, both approved and denied, for pension and welfare plans. We also utilize specialists who prepare Forms 5500 along with the Summary Annual Reports for our clients. It is from the backdrop of our Firm's 70 years of industry experience that we come to you today with our comments on this topic.

We'd like to comment specifically on the proposal to eliminate the Summary Annual Report (SAR) requirement for health plans not already exempt. We wholly support this proposal. The purpose of the Summary Annual Report is to inform participants and beneficiaries of the Plan's financial condition. While on the surface this is an important and relevant goal, practically speaking, we do not find the SAR to be useful to the average participant and therefore support its elimination.

The financial information provided on the SAR is outdated by the time it reaches its intended audience. The SAR is required to be provided within nine months after the close of the plan year, or two months after the filing of the Form 5500 (with an approved extension, yielding a delivery up to 11 and one half months after year-end). In the case of insurance carriers and premiums paid to those carriers to provide benefits, the names of such insurance companies and the premiums paid to them, may be even more dated, since the information provided in the Report includes insurance policies that ended during the reporting period. The length of time between the date financial information is provided to the user and when it is pertinent contributes to the irrelevance of the disclosure.

The language and content provided in the SAR is not provided in a language the average participant finds easy to understand. Participants likely struggle to understand the words, definitions and context offered by the model terminology presented in the SAR. Any notice attempting to convey financial data may be more effective using visual aids such as graphs or charts that also incorporate historical data and trends rather than simply using narratives. The current model for disclosure is not presented in a manner that effectively informs participants regarding the financial condition of their plan.

Additionally, the scope of the SAR suggests that the financial plan information is only important for participants in plans that cover 100 or more participants. If it is vital for a participant to understand premium dollars paid or benefit claims dollars paid or the increase or decrease in net assets, then these financial statistics should be important for all participants of health benefit plans and not just those who participate in larger plans. We believe the 100 participant rule for the filing of the Form 5500 is a good rule, but this threshold should not be used to determine which plans should convey financial information and which plans should not.

As a final statement about the financial information provided in the SAR, we'd like to point out that all of the information about the Plan's financial condition is provided in a publicly available Form 5500. Participants seeking information about their plan could access it directly from the Department of Labor website or from FreeErisa.com. In the case of a single employer, fully-insured plan, the financial condition of the employer, not the plan, is ultimately what will determine the stability of the plan, and that information is currently not provided; perhaps some general financial disclosure might be appropriate in these cases.

While the actual cost to prepare the SAR is not likely significant to any particular plan, the cost to print and mail the SAR is an unnecessary administrative expense for each plan. The burden of production and distribution to provide information that is not valuable to its recipients is further reason to discontinue the SAR requirement. As auditors for employee benefit plans, the Summary Annual Report is not useful to us and we expect it is not useful to most participants.

We'd also like to take this opportunity to offer our overall perspective as plan auditors on the issue of Mandated Disclosure for Retirement Plans – Enhancing Effectiveness for Participants and Sponsors. Just as we believe that the SAR is not useful or relevant for health benefit plans, we consistently feel that the SAR is not useful or relevant for retirement plans for the same reasons that we've previously explained. In addition to the SAR, the investment fee disclosures also garner a similar conclusion from our perspective. This disclosure is not provided in a format that can be easily understood by most participants and beneficiaries. While the aim of improving financial literacy is intended, we receive consistent feedback from many of our Taft-Hartley benefit plan clients that this notice requires a more advanced financial acumen than the average participant or beneficiary possesses. Simply presenting the data in the current format to participants does not provide them with the tools to utilize it. We support any efforts to improve the content and relevance of participant disclosures.