Re: Comment on Proposed Revisions of Form 5500

Dear Sir or Madam,

The American Benefits Council (Council) appreciates the opportunity to comment on the December 2006 amendments to the proposed revisions to the Form 5500 Annual Return/Report forms issued in July 2006. The Council is a public policy organization representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing benefits to employees. Collectively, the Council’s members either sponsor directly or provide services to retirement and health plans that cover more than 100 million Americans.

We would like to start by applauding the Employee Benefits Security Administration (EBSA) for quickly revising the proposed changes to reflect requirements in the Pension Protection Act of 2006. The Council especially appreciates that the amended proposal moves the assets allocation questions for large defined benefit plans from Schedule B to Schedule R (removing these questions from Schedule B was one of the requests made in the Council’s September 18, 2006, comment letter on the original proposal). The Council continues to have additional concerns about these questions and these concerns were detailed in our prior letter.

This letter is not intended to repeat the substance of our September 18 letter (which should be read in conjunction with this letter) but the Council’s primary concern continues to be the proposed 2008 effective date. This date is insufficient for the industry to analyze the effect of the changes and build the necessary technology.
As indicated in the Council’s prior letter, building the technology will require significant and complex programming and allocation of technical resources in 2007 to allow for the ongoing recording of compensation information beginning in 2008. Systems planning and budgeting of resources is typically done far in advance. Requiring significant technology work in 2007 will conflict with reasonable business plans and be in addition to work necessary to support the changes required under the Pension Protection Act. The Council requests an extension of the proposed effective date to the 2010 plan year so as to allow reasonable time to make systems changes and avoid a conflict with work done to comply with the Pension Protection Act.

The Council would like to elaborate on another concern expressed in our September letter that relates to the reporting of percentage of assets by class that does not have any allowances or exceptions for reporting of commingled funds, common collective trusts and master trusts. These funds or trusts are already reporting their assets on their own 5500 or in reports to the Securities and Exchange Commission and including this information on an individual plan’s 5500 is redundant. At the plan level, the reporting requirement reduces the effectiveness of investing plan assets in a master trust. In many cases, the details of assets in the commingled funds are not available at the time the 5500 is prepared for the plan. If it is available, the information may be received in hard copy format, requiring a large amount of data entry (subject to inevitable mistakes). The Council’s September letter contains suggestions for resolving this difficulty.

Again, we appreciate the opportunity to comment on the amendment to the proposed changes to Form 5500. We believe that the American Benefits Council offers an important and unique perspective of both the employer sponsors of retirement plans and the service providers that assist them, and we look forward to working with you on these important changes.

Sincerely,

Jan M. Jacobson
Director, Retirement Policy
American Benefits Council