Office of Regulations and Interpretations  
Employee Benefits Security Administration  
U.S. Department of Labor  
200 Constitution Avenue, NW, Room N-5655  
Washington, D.C. 20210

Re: Comments on Proposed Revision of Annual Information Return/Reports and Proposed Rule Regarding Annual Reporting and Disclosure (RIN 1210-4863)

We write on behalf of the Western Conference of Teamsters Pension Plan to comment on the proposed revision of the Form 5500 and Schedules, as published in the Federal Register on July 21, 2016, by the Department of Labor ("DOL"), the Department of Treasury ("Treasury") and the Pension Benefit Guaranty Corporation ("PBGC") (collectively the "Agencies") and on the proposed amendments to the DOL’s regulations relating to annual reporting requirements published in the Federal Register on the same date.

The Western Conference of Teamsters Pension Plan (the “Western Conference Plan” or “Plan”) is the largest multiemployer plan in the country and provides secure retirement benefits to over 560,000 active and inactive vested participants and retirees. The Plan covers participants through labor agreements negotiated by Teamster local unions with more than 1,500 employers predominantly in the 13 western states. Plan assets exceed $37 billion, and annual employer contributions total more than $1.6 billion. Last year, the Plan paid over $2.6 billion in benefits to plan retirees and beneficiaries in all 50 states and the District of Columbia.

The Plan maintains a diversified portfolio and invests in a broad set of asset classes, which include Public US Equity, Public International Equity, Fixed Income, Private Debt, Private Energy, Private Real Estate, Private Equity, Private Infrastructure, Multi-Asset, and Cash & Equivalents.

The Plan strongly supports transparency and expends significant amounts of time and resources each year in the preparation of the Annual Return/Report of Employee Benefit Plan (Form 5500). Financial information about the Plan, including our audited financial statements, Form 5500s, actuarial reports, annual funding notices, and other documents, is readily available on the Plan’s website (http://www.wctpension.org/forms-documents-webcasts/plan-documents) for all to see.

The Plan recognizes the importance of the Agencies’ ability to implement effective enforcement programs and better respond to inquiries regarding employee benefit plans. The Plan also recognizes that a modernized and updated Form 5500 may be necessary and may help the
Agencies with their goals to more effectively develop and implement regulations and other compliance assistance guidance, and use data for purposes of economic research, policy formulation, and monitoring. That said, we hope that the Agencies will take the Plan’s concerns and recommendations into consideration when finalizing the regulations.

General Comments

1. The Proposal Would Compound the Already Complex Form 5500 Filing Process for Mega-Filers

Summary of Concerns and Recommendation:
The Plan has concerns about the proposal that stem from the Agencies desire to “enhance[e] mineability of data filed on annual return/reports” by eliminating most of the current required attachments to Form 5500 in favor of open ended text fields and “structured data attachments.” Although the proposal does not explain what the format of these structured data attachments might be, we anticipate that whatever the format, the primary method of communicating the data in these attachments to EFAST will be through a process akin to that permitted in the current EFAST filing system, namely importing of XML files conforming to a defined data structure specific to the schedule or attachment in question. Our concern is that for extremely large plans such as the Western Conference Plan (sometimes referred to by the DOL as mega-filer plans), the logistics of creating and transmitting their Form 5500 filings to EFAST are significantly more complicated and challenging than the DOL seems to realize (as explained in more detail below). Additionally, the vastly expanded reporting requirements called for by the proposal may prove more of a challenge in the case of these mega-filer plans than any third-party software vendors are prepared or willing to meet. Given the relatively few mega-filer plans in the Form 5500 universe, third-party vendors may find it financially unattractive to design a software application and platform robust enough to accommodate the massive mineable data content that these plans must incorporate into their Form 5500 filings under the regime contemplated by the Agencies’ proposals.

We urge the DOL to give serious consideration, when updating and enhancing the EFAST filing system, to allow filers who have the necessary expertise to utilize DOL-provided tools or specifications so they can create their own uploadable structured data files in the likely event the available third-party software cannot accommodate the mega-attachments that mega-filers may need to include with their Form 5500 filings under whatever enhanced filing regime the Agencies ultimately decide to implement.

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1 The DOL has referred to plans with over 100 pages of attachments to their Form 5500 filing as “mega-filer plans” and has said that for the 2009 plan year filing, some 600 plans fell into that category (see “DOL Says This is ‘Transition Year’ For EFAST2, Time to Discover Problems”, BNA Pension & Benefits Daily, 10/19/2010).

2 Indeed, just the single new requirement in the proposal that most attachments be “structured data attachments” instead of PDF files would require significant expansion of the capabilities of these third-party software applications.
The Internal Revenue Service ("IRS") has provided a similar capability for entities that are required to file various IRS forms electronically through its FIRE System; the Western Conference Plan used this approach to develop its own in-house capability to electronically file Form 8955-SSA, Annual Registration Statement Identifying Separated Participants with Deferred Vested Benefits, using the specifications published by the IRS in Publication 4810, Specifications for Electronic Filing of Form 8955-SSA, Annual Registration Statement Identifying Separated Participants With Deferred Vested Benefits. Among other things, the FIRE system provides filers with the specifications to create the filing document in the correct format and to test and validate their filing documents before submitting them for electronic filing. We believe that the DOL should be able easily to adapt to this purpose whatever system it will be using to test and validate third-party developed commercial software for EFAST2.

The Details Underlying Our Concerns:
Under the current EFAST regime, most filers (85 percent according to the EFAST2 RFI the DOL released through the General Services Administration last July) rely on certified third-party software providers to prepare and submit their Form 5500 filing. The DOL apparently assumes that the other 15 percent of filers are plans "who do not choose to use third-party software to author and submit filings" because for them the "basic no-frills offering" of EFAST2’s IFILE interface is adequate. For at least some mega-filer plans, including the Western Conference Plan, the choices are not that simple.

Over the seven years since electronic filing of Form 5500 became mandatory, the Western Conference Plan has learned through experience that neither the available third-party software applications nor the "no-frills" IFILE interface offer a complete solution to the challenges of electronic filing of the Plan’s mega-Form 5500. The filing in its entirety is simply too big for any third-party vendor’s filing software to accommodate and impossibly large to be entirely input manually through the IFILE interface. So the Plan has been forced to create a hybrid approach that utilizes both third-party software and IFILE.

To help the Agencies understand the challenges the Plan faces in making a complete and timely filing under the current EFAST regime, and how the proposal has the potential for significantly increasing those challenges, we provide here some details about the Plan’s Form 5500 filings and the process the Plan has developed to accomplish those filings.

The Plan’s most recent Form 5500 filing (for the 2015 plan year) came to 773 pages, including the following:
- Schedule C, listing 134 service providers to the Plan (92 pages)
- Schedule D, listing 19 Direct Filing Entities in which the Plan invests

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4 EFAST2 RFI PWS, Sec C.1.1.2, p. 9.
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- Schedule H, Line 4i Attachment, Schedule of Assets Held at End of Year (564 pages), detailing the Plan’s investments held through 19 DFEs, 21 single client accounts holding Plan assets, 73 limited partnerships and other investment vehicles not considered to hold Plan assets, and one mutual fund. All told, this attachment provides details on over 12,300 separate securities and other investment holdings.

To create and file its Form 5500 with these and all the other required Schedules and attachments that make up the filing, the Plan has developed the following multi-step process:

First, the Form 5500 Schedules are created within the third-party vendor’s software application either through manual data entry for the simpler Schedules or, for the more data intensive Schedules (C, D, G and H), by importing the necessary data into the application using Excel spreadsheets created from the Plan’s accounting and investment reporting applications. This provides the Plan with the more robust validation routines than its third-party vendor’s software offers (and IFILE does not). Next, a separate XML file is then created for each Schedule by exporting that Schedule from the third-party software application. Then, each XML file is imported into EFAST through its IFILE interface (the Schedule MB is provided to the Plan by the enrolled actuary in an XML file format which the Plan then imports through IFILE).

Finally, all of the necessary attachments in PDF format are uploaded directly into EFAST using the IFILE interface. Other than the accountant’s signed opinion, audited financial statements and copy of Schedule MB signed by the enrolled actuary, all of the attachments are created either in Word or Excel documents and then converted electronically to searchable PDF files. Of these, the most significant and by far the largest is the attachment required by Schedule H, Line 4i, namely the Schedule of Assets Held at End of Year (consisting of 564 pages), providing details on all of the Plan’s investment holdings, including over 12,300 separate securities and other investment holdings at year end. The Excel document used to create that attachment represents a compilation by Plan staff of the required data on all of the Plan assets collected from the over 100 investment firms that manage the Plan’s investment assets.

With the appropriate specifications provided by the DOL, we believe the plan sponsors of a number of the plans that fall into the mega-filer category would take advantage of the capability to create their own structured data attachments rather than rely on the uncertain functionality of third-party software developed applications to do so. We would anticipate that these mega-filers would continue to take advantage of the more robust data validation routines provided by third-party software applications to create the Form 5500 itself and most of the lettered Schedules.

2. The Plan Shares the Concerns and Supports the Recommendations of Certain Other Commenters

The Employee Benefits Committee and the Tax Executive Committee of the Illinois CPA Society (“Committees”) submitted comments to the Agencies on October 4, 2016. The Committees generally are concerned that the overall burden and cost of complying with the proposed revisions will be excessive. The Western Conference Plan shares these concerns and
points out that in the case of multiemployer plans, these burdens and costs necessarily will end up being borne by the plans themselves and therefore, indirectly, by plan participants. There is no sponsoring employer to help absorb these costs.

The American Bankers Association (“ABA”) submitted comments on October 25, 2016. The Plan agrees with the ABA that it would have been helpful if the Agencies had sought input from plans and service providers prior to drafting the proposed changes and if the Agencies provided mock-ups of the proposed Form 5500 and Schedules. Because the Agencies did not take these preliminary steps, the Plan recommends that the Agencies hold a hearing following the comment period to introduce a re-worked proposal after incorporating the comments they receive from plans and service providers. The Agencies should then publish the revised proposal and solicit another round of comments.

The Plan supports each of the American Retirement Association’s (“ARA”) recommendations made in their comments submitted on December 1, 2016. Among these are the ARA’s recommendation that the Agencies review the costs for recordkeeping and reporting when quantifying the cost increase of the proposed changes and that they reconsider the extent of the changes in light of these added costs. The ARA suggests that the Agencies review the costs versus the benefits to be achieved by the proposed changes in order to ensure compliance with Executive Order 13563. The ARA also recommends that the effective date of the proposed changes be deferred at least 24 to 36 months following the publication of the final version of the forms and instructions in order to allow providers to develop and implement the extensive technology, communications, and procedure changes required by the proposal.

Western Conference Plan Comments on Specific Changes to Form 5500 Reporting

I. Schedule H

ETI & ESG Information Collection
The DOL currently is seeking public comment on the appropriate collection of information on the Form 5500 relating to Economically Targeted Investments (“ETI”)s as well as Environmental Social Governance (“ESG”). The Western Conference Plan firmly believes that the U.S. Securities and Exchange Commission’s requirements for public companies to disclose risks associated with climate change should continue to apply only to public companies. Extending this requirement to plan fiduciaries, such as multiemployer plan trustees and investment advisers, who evaluate investment managers and not the managers’ specific holdings or the companies in which each manager invests, would be extremely onerous. Such fiduciaries are a step removed from assessing a specific company’s impact on climate change. Requiring plans to reach down to each of their investment managers to ascertain the specifics of the managers’ consideration of ETI/ESG factors in making investment decisions and then collate and translate that information onto a Form 5500 would be unduly burdensome.

Based on the DOL’s own criteria of “standardized, comparable, and reliable” ESG reporting, the proposed disclosures are not currently practical for the following reasons:
For a standardized rule to take place, the DOL first should define the distinction between ESG, which involves the integration of Environmental, Social, and Governance factors versus the legacy Socially Responsible Investing ("SRI") or mission-based screening criteria, such as those criteria used in tobacco or oil extractive industries. The rationales behind these two reporting schemes are vastly different, and implementing one versus the other can result in distinctly different investment outcomes. Moreover the understanding of the definitions surrounding ESG, including the Social and Governance component, are diverse and inconsistent.

Due to the ongoing development and continued evolution of ESG metrics and ratings, fiduciaries find it hard directly to compare vendors. For example, the sustainability measurements used by Bloomberg and Sustainalytics are based on different assumptions and proxies for elements of ESG, including companies’ hiring practices and the critical area of carbon emissions that rely on self-reporting. Any comparisons reported in a Form 5500 therefore could be grossly misleading.

There is no single reporting standard regarding ESG and sustainability. The Sustainability Accounting Standards Board ("SASB") was established to develop sustainability accounting standards in order to help public companies disclose relevant information to investors regarding sustainability and responsible investing. Even here, the data are driven by research and depend on the corporate stakeholders’ voluntary participation.

Until both the definitions and adaptation of ESG become more prevalent across managers, comparisons across fiduciaries will be spotty, unreliable, and uninformative.

A company with a good reputation today may become a bad actor in the future. For example, Chipotle and Volkswagen were at one time ranked highly in most ESG categories before safety and governance issues impacted their reputations. This again highlights the lack of consensus on exactly what is being measured as well as the inherent unreliability of the data.

The collection and reporting of ETI and ESG information would place an unreasonable burden on filers, who are not in a position to supply company-specific information. In addition, we are concerned that this aspect of the proposal seeks to spotlight just a few of an almost endless list of factors that investment decision makers may take into account in choosing investments. By focusing on this very limited subset of those factors, the proposal could be interpreted, by participants and by courts, as evidencing a distinct bias on the part of the DOL in favor of those factors as drivers of investment decisions. And yet, it was not that long ago that the DOL was calling into question the relevance, or even the appropriateness, of these factors (and their precursor, SRI), to the investment decisions of ERISA plan fiduciaries. We question the wisdom of embedding the current administration’s views on this subject into the framework of ERISA reporting and disclosure requirements and for that reason alone strongly urge the Agencies to abandon their efforts to collect ETI/ESG information from ERISA plans through the Form 5500 reporting regime.

Partnerships/Joint Venture Interests
The proposal to expand the “Partnership/Joint Venture Interests” category by adding breakouts for vehicle types and asset classes will create several new challenges for filers, especially
because the proposal conflates the concept of “asset class” (e.g., stocks, bonds, private equity) with the concept of “pooled investment vehicle” (e.g., CCT, PSA, limited partnership, joint venture) and adds to the confusion by requiring differentiation of LPs and JVs by whether or not they are treated as holding plan assets. For example, if a plan invests in real estate through a limited partnership or joint venture, is the investment to be reported under the LP/JV category or the real estate category? Does the answer depend on whether the vehicle is considered to be a plan asset vehicle or not? Is the answer any different if the limited partnership invests in publicly traded domestic securities? Or, if a plan invests in a hedge fund (or private equity venture) through a limited partnership, in which of the new LP/JV sub-categories is the investment to be reported: limited partnership, or hedge fund (private equity)?

The Western Conference Plan strongly urges the DOL to abandon the current and proposed expanded Partnership/Joint Venture Interests category and replace it with a new category with sub-categories that include venture capital operating companies (VCOC), hedge funds and “other private investment vehicles” which could include private equity, private debt and other securities that are not publicly traded (with emphasis being on whether the securities invested in are publicly traded, not whether the issuer is publicly traded). If the Agencies consider the nature of the investment vehicle to be important information, the DOL could establish numeric or letter “vehicle” codes that the filer could enter on the Schedule H, Line 4i, Schedule of Assets attachment(s) for each investment that was held in or through one of these vehicles. We also note in passing that in addition to limited partnerships and joint ventures, investment managers also use limited liability companies (LLC) and even corporations to hold investment assets (which may or may not constitute plan assets).

The Plan also recommends that the DOL make clear for any vehicle that is a plan asset vehicle, how the assets in that vehicle are to be reported on Schedule H and the detailed attachments (presumably in a manner similar to other pooled vehicles that are not DFEs), and that for vehicles that do not hold plan assets, the nature of the underlying assets (e.g., real estate, private equity) will determine under which “asset category” the investment in the vehicle is to be reported, but there is no requirement for reporting the details of the individual assets in the non-plan asset vehicle.

**Derivatives**

The proposal to create a new “Derivatives” breakout, along with sub-categories for “Futures”, “Forwards”, “Options”, “Swaps” and “Other” presents numerous issues. First, this breakout as a separate reporting category embraces a faulty premise, namely that derivatives are an asset class unto themselves, when within the investment community at least, they clearly are not considered so.\(^5\) Second, reporting on the market value of each contract without knowing the notional value (value of the leverage position) may mislead one into thinking a plan’s derivatives exposure is less than it actually is. Third, the amount of the derivative at the end of the year is not indicative of the exposure throughout the year or on any other day during that annual period. Finally, by

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\(^5\) For example, S&P 500 futures are considered derivatives, but first and foremost, they are considered a proxy for an investment in the basket of equity securities that make up the S&P 500 index.
allocating derivatives in a separate category, the marginal value gained by knowing the arrangements by actual asset class has been removed.

In order to increase the value of the derivatives information, and to reduce the effort required to collect and classify these data, the Western Conference Plan recommends including a “Derivatives” breakout at the asset class level. For example, the Agencies could create a new 4(C) breakout under “Corporate stocks” that would be labeled “Derivatives”. This same approach would be taken for “Corporate debt instruments”, “U.S. government securities”, etc.

In addition, the DOL should solicit further input from experts in the field on the appropriate level of detailed information about derivatives to be included in a financial reporting document such as Schedule H and its attachments so that plans are not put to the burden and cost of compiling and reporting on information of little or no value to those interested in this aspect of Form 5500 reporting.

Lending/Leveraged Arrangements
The proposed additions to the new Line 4w (collateralized lending activities) appear to encompass much more than securities lending. Were securities lending the sole focus, selecting the Yes/No option would be sufficient for the filer to note if the plan was involved in such lending activities. However, the proposal clearly extends far beyond securities lending to any “investment acquisitions that are leveraged” including “repurchase agreements or sell/buy-backs, or other transactions that subjected plan assets to a mortgage, lien or other security interest”. This description would extend the scope of the question far beyond the desire of the DOL “to get better information on securities lending practices and how they impact plan finances and operations”. The proposal in a footnote describes with some precision what the DOL understands these practices to include, and they clearly do not include any other types of “collateralized lending activities”. As framed, the question would pick up every mortgage or other type of lien on real estate or other property in which a plan invests. It would require that the filer gather from each investment manager the detailed information necessary to describe on an attachment to Schedule H (or the schedule itself) each arrangement that qualifies as a mortgage, lien or security interest. For a plan the size of Western Conference, those descriptions could run to hundreds of pages.

We submit that this effort to garner details about every “collateralized” transaction that a plan may enter into is both inappropriate to a generalized financial reporting and enforcement regime such as the Form 5500, and extremely costly and burdensome to the plans involved without any demonstrated need for such detailed information or any analysis of the benefits the DOL or anyone else would enjoy from having free access to such information. Thus, we urge the DOL in the strongest possible terms to remove this compliance question in its entirety or, at the very least, limit its scope to securities lending arrangements only.

Investment Identifiers
The proposed “requirement to report investment identifiers such as CUSIP, CIK, and LEI, if applicable, for each asset” is unclear. The Plan requests clarification on whether multiple
identifiers are required, or if the intent rather is for the filer to provide industry standard identifiers such as: CUSIP, ISIN (International Securities Identification Number), or SEDOL (Stock Exchange Daily Official List).

The Plan would prefer to provide widely available identifiers that are relevant for each specific asset type. BNY Mellon (globally, the largest custodian) has informed us that the FIGI identifier is only available on their platform on a very limited basis, that the LEI is not available, and that BNY Mellon has no intention of adding LEI to its platform. As a result, plans that use BNY Mellon to provide data for the Form 5500 will face significant challenges if required to report the FIGI and/or LEI.

Hard-to-value Investments
The requirement for filers to note on Line 4i (1) whether each investment asset is hard-to-value warrants further clarification. In practice, some registered investment companies, CCTs, and PSAs include both regularly priced securities as well as hard-to-value assets. Some guidance as to the definition of “hard-to-value assets” is provided, but that guidance’s reliance on the word “primarily” creates ambiguity. We therefore request the addition of a quantitative definition, and suggest listing a registered investment company, CCT, or PSA as hard-to-value if more than 50% of the underlying assets are hard-to-value.

2. Schedule MB

The Plan recommends that the Agencies provide flexibility on the age, service and benefit distributions data to be provided, so that plans can provide information on an “age nearest birthday” basis or on an “attained age” basis. The Agencies could accomplish this by adding a question to the Schedule MB, which would specify which basis was used to complete the distributions.

Although both methods (“age nearest” and “attained age”) are acceptable from an actuarial standpoint, the Plan’s enrolled actuary advises that in their experience it is more common to perform the actuarial valuation using “age nearest birthday”. The summarization of data can accommodate either age designation method, but if the Agencies allow flexibility in input of these data attachments to the Schedule MB (and Schedule SB), the attachments will better match the data used in the actuarial calculations.

The Plan also requests that the Agencies provide a definition of retiree and beneficiary in pay status. For example, would a retiree or beneficiary in pay status include Alternate Payees who are receiving lifetime or limited period benefits and surviving children who are receiving temporary death benefits?

For the Form 5500, the instructions are clear on how to count participants. Under the Line 5 and 6 instructions:
- For pension benefit plans, “alternate payees” entitled to benefits under a qualified domestic relations order (“QDRO”) are not to be counted as participants.
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- Retirees and vested terminated employees are counted once.
- Beneficiaries are not counted. Instead, the number of “[d]eceased individuals who had one or more beneficiaries who are receiving or are entitled to receive benefits under the plan” is counted. It is clear from the instructions that multiple beneficiaries are not reported in the Form 5500 participant counts.

Those directives pose no challenge when completing the Form 5500 itself. However, in terms of Schedule MB reporting, the Plan requests that the Agencies allow flexibility on reporting in situations where the data is not stored on a participant basis, but rather on a record basis. An example would be when a third-party administrator system holds multiple records for an individual who may have multiple benefit starting dates (because of successive periods of post-retirement covered work). That is the case with the Western Conference Plan.

The Plan has been informed by its enrolled actuary and recordkeeping firms that neither of them currently has a process in place to summarize the data for each retiree in pay status in the form described in the proposed changes to the Form 5500 Schedule MB. An estimate of the cost to create that capability would be difficult to determine until the final reporting requirements are known.

However, the Plan’s record-keeper roughly estimates that the one-time cost of combining the data from multiple records for each retiree in order to produce a report with the required information would fall in the $60,000 to $120,000 range, depending on the final requirements. Alternatively, the Plan’s actuary could use the currently provided actuarial data and expand its data process to create the necessary summarization. The actuary estimates this could cost on the order of $20,000 to develop and test the process and an additional $5,000-$10,000 per year to summarize the data and check the output with each valuation.


These questions require information from multiemployer defined benefit plans about employees whose employers no longer contribute to the plan on their behalf. Question 13 seeks information for the current and preceding two plan years about the number of employees whose employer is no longer a contributing employer. The current instructions make abundantly clear that for purposes of this question, employees of employers who still are contributing to the plan for other employees are not to be counted. Question 14 focuses on all employees for whom no employer made contributions during each of the current and two preceding plan years, and requires entry of the ratio of that number of employees in the current year compared to the preceding year and then compared to the second preceding year. The current instructions also make abundantly clear that for purposes of Question 14, the plan is to count not only employees of employers who no longer contribute to the plan but also employees of employers who are still making contributions on other employees.

Although the proposal would make no change in these reporting requirements, and the Plan has no change to suggest, we do want to call to the Agencies attention the need for outreach to the
software application vendors who have developed EFAST preparation and filing software. In our experience, at least some of them may have incorrectly coded the logic for Question 14 so as to calculate the ratios using the data entered in response to Question 13. We know this because their input screens do not call for entry of the employee counts called for by Question 14. The software simply produces a ratio and our research indicates the data for calculating the ratio can only come from what data the filer input into the Question 13 screens. We believe this may have occurred because many third-party software developers created their specifications for Schedule R, Lines 14 and 15 from the original draft Schedule R the DOL released for the 2009 plan year which was not accompanied by any instructions.

Please contact Charles Storke of Trucker * Huss, counsel to the Plan, at (415)788-3111 or at cstorke@truckerhuss.com, if you would like to discuss our comments or recommendations in more detail.

Thank you for your time and consideration.

Respectfully Submitted,

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