

17

From: Flowers, Barb [Flowers.Barb@principal.com]
Sent: Tuesday, September 19, 2006 3:51 PM
To: EBSA, E-ORI - EBSA
Cc: Lang, Jim; Winchester, Kelli
Subject: Proposed Revision of Annual Information Return/Reports - Comments
Attachments: Comments on 2008 Form 5500 Changes Proposal.doc

To: Office of Regulations and Interpretations
Employee Benefits Security Administration
U.S. Department of Labor

Attached is a document reflecting our comments on the EBSA Proposed Revision of Annual Information Return/Reports.

<<Comments on 2008 Form 5500 Changes Proposal.doc>>

Thank you for the opportunity to provide comments.

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Office of Regulations & Interpretations
Employee Benefits Security Administration
Room N-5669
U.S. Department of Labor
200 Constitution Avenue NW
Washington, D.C. 20210
Attn: Revision of Form 5500

RE Comments on Proposed Revisions to Annual Information Return/Reports

Dear Sir or Madam:

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This is in response to the request for comments on the Employee Benefits Security Administration's proposal on Revision of Annual Information Return/Reports. We appreciate the opportunity to provide comments and input on the changes under consideration.

Comments

We understand the need to update the Form 5500 to capture current and relevant information. Below are our comments on significant initiatives contained in the proposal.

Establishment of the Form 5500-SF (Short Form)

We agree the level of detail to be reported on the Form 5500 can be less for small plan filers whose investment options have easily ascertainable values. The elimination of filing otherwise applicable schedules (except Schedule B for Defined Benefit plans) will ease the burden and costs attributable to annual reporting for this group, making it easier for them to maintain their plan on an ongoing basis.

Removal of the IRS only Schedules

We support the removal of Schedules E, P (removed for 2006 Forms), and SSA. The transition of some of the questions formerly found on the Schedule E to the Schedule R is nice to see. We'd like to see something soon on what, and how to report the information currently located on the SSA so there's time to develop the new form and implement the changes.

Elimination of Limited Reporting for 403(b) Plans

We're concerned with eliminating the limited reporting for 403(b) plans. Historically, this is a group that has special reporting requirements due to their status of tax exempt entities (without a large budget for non core operating expenses). The escalated cost to the Plan Sponsor, due to full reporting requirements and audit of their Form 5500, will be a financial burden for this sector. A decrease in retirement benefits for this market segment is likely, and will be reflected in lower participant account balances as funds are used to offset the additional cost of the plan if the limited reporting requirements for 403(b) plans are eliminated.

Schedule B Revisions

Proposed regulations indicate that assets must be broken down by the percentage of assets held in Stocks, Debt Instruments, Real Estate, and Other; then further defined as governmental debt, investment grade corporate debt, and high yield corporate debt. The "Macaulay duration" would also need to be applied to the debt investments. This is not information that is readily available to actuaries, nor is the breakdown of the underlying investment options that is required on the Schedule B. Some plans may have this information available from their 10-k filing, but not all plans are required to file a 10-k filing or the 10-k filing may not cover the same time frame. For the majority of plans, this information is not currently being collected and would require major changes to begin doing so. The scope of this change is huge and will require significant lead time to accomplish.

Schedule C Revisions

Compensation collection methods have changed since the Schedule C reporting requirements were established. As a result, the current Form 5500 does not reflect some of the fees that may be incurred on an annual basis. We understand your desire to collect this information and the theory behind it, but have concerns about the availability of this information.

We disclose the method of determining fees to Plan Sponsors so they have the data necessary to make good decisions for their specific plan design, but do not currently store all fees at a plan level. To develop a system to collect and store this information will be a monumental undertaking that will require a significant time to develop. We'd like to see the time frame for this postponed so that the industry has time to determine and compile relevant information to insure uniform data is reported on the Schedule C.

Standard Schedule to Report Delinquent Participant Contributions

This is a good change as it provides consistency of the information being reported. It will be easier with Electronic Filing of Form 5500 to have the schedule included in the standard package, not a supplemental form each filer would need to incorporate into their filing.

Timing of Forms Changes

Based on the magnitude of the changes being considered in this proposal, we would like to see the effective date of these changes delayed. This is a huge undertaking and is not feasible to accomplish for 2008, and becomes less likely to accomplish when combined with the implementation of the 2008 Electronic Filing Mandate. Many of the changes require reporting of information that is not currently being collected. It will require time to secure resources, and time for those resources to create systems to collect and store the needed information. A later effective date would allow time to thoroughly analyze the information to be reported, clarify as needed, make the changes necessary to support the mandate, and communicate the changes to Plan Sponsors.

We understand the purpose of the proposed mandate and are available to provide input from the perspective of a volume preparer of Form 5500 annual reports.

If you would like to discuss any of these comments, please contact Barb Flowers at (515) 248-2581 or e-mail her at flowers.barb@principal.com.

Sincerely,
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