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**Estimates of the Burden
for Filing Form 5500:
The Change in Burden
from the 1997 to the
1999 Forms**

May 25, 1999

William S. Borden

Submitted to:

U.S. Department of Labor
Pension and Welfare Benefits Administration
Rm. N-5647, 200 Constitution Ave., NW
Washington, DC 20210

Submitted by:

Mathematica Policy Research, Inc.
P.O. Box 2393
Princeton, NJ 08543-2393
(609) 799-3535

Project Officer:

Richard Hinz, Director
Office of Policy and Research

Project Director:

George Carcagno

John A. Adams, J.D.
Senior Analyst

May 27, 1999
#8518-21

Richard Hinz
Director, Office of Policy and Research
U.S. Department of Labor
Pension and Welfare Benefits Administration
Rm. N-5647, 200 Constitution Avenue, NW
Washington, DC 20210

Dear Richard:

Enclosed please find several copies of our report, *Estimates of the Burden for Filing Form 5500: The Change in Burden from the 1997 to the 1999 Forms*. Bill Borden is available at any time to meet with you or other agency representatives to discuss this report.

Sincerely,

cc: George Carcagno

CONTENTS

Chapter		Page
	EXECUTIVE SUMMARY	xi
I	INTRODUCTION	1
II	BACKGROUND: THE CURRENT DOL AND IRS METHODOLOGIES	7
	A. DEPARTMENT OF LABOR	8
	B. THE IRS METHODOLOGY	9
III	METHODOLOGY FOR BASELINE (1997) BURDEN ESTIMATION	13
	A. OVERALL APPROACH AND KEY ASSUMPTIONS	13
	1. Estimates Developed for Both Sponsor Hours and Service Provider Dollars	13
	2. Estimates Developed for Each Plan Type and for Each Filing Component	15
	B. COLLECTING AND USING AGGREGATE DATA ON TIME AND DOLLARS	16
	C. DISTINGUISHING 5500 BURDEN FROM NORMAL PLAN OPERATIONS AND OTHER ERISA BURDEN	16
	D. LEVEL OF DETAIL IN ESTIMATING THE TYPE OF BURDEN INCURRED	18
	E. ISSUES AND FINDINGS RELATING TO SPECIFIC TYPES OF 5500 DATA	19
	1. Plan Identification	19
	2. Plan Qualification/Tax Related Items	19
	3. Minimum Funding Items	19
	4. 5500 Financial Schedules	20
	5. Audits and Accountants' Reports	20
	6. Schedule A	21
	7. Schedule B	21
	8. Schedule C	22
	9. Schedule E	22
	10. Schedule F	22

CONTENTS *(continued)*

Chapter		Page
	11. Schedule SSA	23
F.	DATA COLLECTION METHODOLOGY	23
	1. Study Plan	23
	2. Input from Panel Meeting	24
	3. Development of Questionnaire	27
	4. Fielding Period	28
G.	ANALYSIS METHODOLOGY	29
IV	FINDINGS OF BASELINE (1997) BURDEN ESTIMATION	35
A.	FINDINGS BY DATA TYPE	41
	1. Plan Identification	42
	2. Plan Operations	42
	3. Fiduciary Items	42
	4. Plan Qualification/Tax Related Items	42
	5. Minimum Funding Items	42
	6. 5500 Financial Schedules	43
	7. 5500C Financial Schedules	43
	8. 5500R Financial Schedules	43
	9. Audits and Accountants' Reports	44
	10. Schedule A	44
	11. Schedule B	45
	12. Schedule C	45
	13. Schedule E	46
	14. Schedule F	46
	15. Schedule G	46
	16. Schedule P	47
	17. Schedule SSA	47
V	METHODOLOGY FOR ESTIMATING THE BURDEN FOR THE 1999 FORMS	49
A.	OVERALL APPROACH AND KEY ISSUES	49
	1. Estimates Obtained from Both Sponsors and Service Providers	50
	2. Estimates Developed for Each Filing Component	51
	3. Collecting and Using Aggregate Data on Time and Dollars	52
B.	DATA COLLECTION METHODOLOGY	52
	1. Study Plan	52

CONTENTS *(continued)*

Chapter		Page
	2. Development of Questionnaire	53
	3. Fielding Period	55
	C. ANALYSIS METHODOLOGY	56
VI	FINDINGS OF CHANGE IN BURDEN ESTIMATION	59
	A. GENERAL SUMMARY	59
	B. SPECIFIC FINDINGS BY DATA TYPES	59
	1. Plan Identification	60
	2. Plan Operations	61
	3. Fiduciary Items	63
	4. Plan Qualification/Tax Related	65
	5. Minimum Funding	67
	6. 5500 Financial Items	68
	7. 5500C Financial Data	69
	8. 5500R Financial Data	70
	9. Audits	71
	10. Schedule A	71
	11. Schedule B	72
	12. Schedule C	72
	13. Schedule E	73
	14. Schedule F	73
	15. Schedule G, Including Detailed Financial Statements	73
	16. Schedule P	74
	17. Schedule SSA	74
	18. Direct Filing Entities (DFEs)	74
	C. ANALYSIS OF BURDEN IN TERMS OF 1999 FORMS	75
APPENDIX A:	MINUTES OF ERISA REPORTING EXPERT PANEL MEETING, JUNE 9, 1998	A.1
APPENDIX B:	INSTRUMENTS FOR BASELINE STUDY	B.1
APPENDIX C:	BASELINE BURDEN ANALYSIS SPREADSHEETS	C.1
APPENDIX D:	INSTRUMENTS FOR CHANGE IN BURDEN STUDY	D.1
APPENDIX E:	CHANGE IN BURDEN ANALYSIS SPREADSHEETS	E.1
APPENDIX F:	OMB PRESENTATION, MAY 13, 1999	F.1

TABLES

Table		Page
1	SUMMARY OF FINDINGS	xiii
II.1	DOL ESTIMATES UNDER CURRENT METHODOLOGY TOTAL INDIVIDUAL FILER BURDEN BY TYPE OF PLAN AND ITEM CLASS	11
III.1	SAMPLING SPECIFICATIONS	26
III.2	COMPARISON BETWEEN NUMBER OF PLANS REPRESENTED BY THE SAMPLE AND TOTAL NUMBER OF PLANS FILED	30
III.3	SAMPLING PLAN AND SAMPLING RESULTS	31
IV.1	SUMMARY OF BURDEN BY AGENCY	35
IV.2	TOTAL SPONSOR HOURS BURDEN BY PLAN TYPE AND AGENCY	37
IV.3	TOTAL SERVICE PROVIDER DOLLAR BURDEN BY PLAN TYPE AND AGENCY	39
VI.1	SUMMARY OF FINDINGS	59
VI.2	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR PLAN IDENTIFICATION LINE ITEMS BY FILER TYPE	61
VI.3	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR PLAN OPERATIONS LINE ITEMS BY FILER TYPES	62
VI.4	SUMMARY OF CHANGES IN FIDUCIARY ITEMS FROM 1997 TO 1999 BY FORM TYPE	64
VI.5	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR FIDUCIARY ITEMS	64

TABLES (continued)

Table		Page
VI.6	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR PLAN QUALIFICATION/TAX RELATED	67
VI.7	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR MINIMUM FUNDING	68
VI.8	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR 5500 FINANCIAL ITEMS	69
VI.9	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR 5500C FINANCIAL DATA	70
VI.10	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR 5500R FINANCIAL DATA	71
VI.11	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR SCHEDULE A	72
VI.12	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR SCHEDULE C	73
VI.13	SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR SCHEDULE G, INCLUDING DETAILED FINANCIAL STATEMENTS	74
VI.14	MAPPING OF 1997 DATA ELEMENTS TO 1999 FORMS	76
VI.15	AGGREGATE 1999 FILING BURDEN BY AGENCY IN TERMS OF 1999 FORM STRUCTURE	77
VI.16	AGGREGATE 1997 FILING BURDEN BY AGENCY IN TERMS OF 1999 FORM STRUCTURE	78

EXECUTIVE SUMMARY

The Paperwork Reduction Act requires each agency of the federal government to submit estimates of the level of respondent burden associated with each federal data collection activity. Form 5500 must be filed by more than one million employee benefit plans each year to fulfill reporting requirements issued by the Internal Revenue Service (IRS), the Pension and Welfare Benefits Administration (PWBA) of the U.S. Department of Labor (DOL), and the Pension Benefit Guaranty Corporation (PBGC). Burden estimates for this data collection activity have been developed independently by the IRS and DOL.

The IRS has used a computer model designed for estimating the burden of any corporate tax return to develop estimates for each form, multiplied by the number of forms filed. The IRS model included separate estimates for record keeping, researching the law, and filing. DOL has used estimates developed by DOL staff of the time they considered necessary to complete various parts of the filing, multiplied by the number of filers that submit each part. DOL included only the filing burden, based on the assumption that filers do not need to learn the law because the form instructions include all relevant legal matter, and further that there is no record keeping burden apart from the record keeping that would be undertaken as a normal and customary business practice.

The IRS calculated and reported the burden for all components of all filings. DOL calculated the burden for 10 components of the filing for all 5500 and 5500C/R filings. DOL excluded Schedules E, F, and P, fringe benefit-only plans, and 5500EZs because they are solely IRS items. DOL then allocated the burden estimate between the two agencies, based on which agency required each component of the form. DOL thus allocated all the burden from some parts of the form to itself, as well as all the burden from other parts to IRS, then split the allocation of the burden associated with the remaining parts by assigning half to IRS and half to itself. PBGC's share of the total Form 5500 burden is very small.

There were major differences in the burden estimation approaches used by IRS and DOL, and it is therefore no surprise that the initial total estimates for the 1999 forms varied from 48.7 million hours for IRS to 1.7 million hours for DOL.¹ The filing portion of the total burden estimates were closer together: the IRS estimated 8.5 million hours, and the DOL estimated 1.7 million.

This study attempts to reconcile the different estimating methodologies by developing and implementing a new approach to estimating Form 5500 reporting burden. It applies this approach to two versions of the 5500 series forms: the 1997 forms and the 1999 forms. The 1999 forms represent the first major overhaul of the 5500 series in many years.

¹These figures were each agency's initial estimate of the burden associated with the 1999 forms, as published in the Federal Register. *Federal Register*, vol. 62, no. 170, Sept. 3, 1997. The IRS estimate for the 1997 forms is 56.4 million hours.

We first considered conducting a random probability survey of businesses and service providers to develop estimates, but rejected this approach for the following reasons:

- ▼ Because of the wide variation in filing behavior and requirements among companies and service providers, the study would have to include a large number of sampling strata--thus, to develop valid estimates for each strata, a large sample frame. Surveys of businesses are known to have a high nonresponse rate. The number of businesses to be sampled would increase, thus making the survey very expensive.
- ▼ Because businesses do not keep records of the time or money expended to file, it would be difficult to develop precise estimates even if a large, expensive survey were conducted.
 - ▼ Federal agencies should not significantly increase respondent burden in order to calculate burden estimates. Conducting a large survey violated the spirit of the Paperwork Reduction Act.

Instead, Mathematica Policy Research, Inc. (MPR) conducted a survey of about 30 service providers and sponsors to attempt to develop estimates directly from people who file 5500s. MPR first convened a panel of Employee Retirement Income Security Act (ERISA) experts to solicit input into the methodology. These experts estimated that 90 percent of filings were prepared by service providers and that sponsors often were not billed separately for the service, which was included in a bundled package. They also advised that even though most of the filings were prepared by service providers, there was always some burden on the plan sponsor to provide information. The panel helped to recruit service providers and sponsors to participate in the study. We developed packages of materials customized for each type of respondent which they filled out after conducting internal surveys and research within their organization. Data were collected primarily by phone and mail, with one interview conducted in person.

The study was based on several key principles. Service provider burden was measured in dollars and sponsor burden in hours. The final outcome thus represents sponsor and service provider burden separately, with the total of the two measures (hours and dollars) constituting the total burden.

There are many significant limitations on the estimation of 5500 filing burden. The estimates are complicated by the large number of variables to be considered. There are at least 52 general types of plans that submit subsets of 17 types of data which are filled out by sponsors and service providers in a huge number of combinations. Also, it is difficult for filers to distinguish 5500 burden from other ERISA-related burdens and from normal and customary business activities. Actual filing burden is highly variable, depending on the filing requirements, the number of service providers involved and their cost and fee structures, the thoroughness and accuracy of the filing process, and the extent to which software had been developed based on 5500 reporting requirements.

The basic approach used in this study was to solicit informed input from people who spend most of their time dealing with 5500 filings and therefore have a good understanding of how the filings are prepared in the real world. It is impossible to develop precise data for the actual time spent, because no such records are kept and the large number of filing scenarios would require that records be kept by a great many service providers and sponsors. However, by collecting fairly detailed

information from experts in the field, and projecting this information to the type and number of components filed by each type of plan and by the volume of each type of plan, reasonable estimates can be made. It is particularly difficult to distinguish between normal and customary business practice and burden which should be attributable to 5500 filing requirements. Several respondents noted that the 5500 requirements were critical to ensuring that plans operated in the best interest of participants.

We estimated the change in burden for the revised plan year 1999 forms by reinterviewing the service providers and large sponsors from the baseline study. We isolated the changes in the form for each data type and asked the respondents to determine if the net result of the added and deleted elements for each type was an increase, decrease or no change in burden for that particular data type. We then applied the changes in burden to the 1997 baseline data to calculate the 1999 burden estimate.

TABLE 1
SUMMARY OF FINDINGS

	Plan Sponsors (Hours)	Service Providers
1997	3,648,966	\$874,792,122
1999	3,101,727	\$823,745,518

If we convert the service provider burden to hours, for purposes of comparing a measure of total hours to the total hour estimates produced by the DOL and IRS methodologies², the service provider burden in 1999 would be 11.0 million hours, resulting in a total burden of approximately 14.1 million hours. These estimates fall in between the current DOL and IRS burden estimates. The range of estimates can be explained most simply by the different approaches to the inclusion of record keeping burden. DOL assumed no record keeping burden, IRS assumed considerable record keeping burden and this study uses the judgment of professionals to estimate the marginal burden of record keeping imposed by the 5500 filing requirements.

²For the purpose of simplifying the illustration of changes in burden, the costs reported for 1997 baseline have been converted to hours at a rate of \$75 per hour. This rate, which supplied by DOL, is based on average labor hour rates for lawyers, accountants, budget analysts, and financial managers from the 1998 Employment Cost Index and 1997 Occupational Employment Statistics Survey (Bureau of Labor Statistics) as adjusted estimated for overhead and profit margin.

The DOL estimate was based on overly simplified assumptions and excluded many record keeping, data collection and coordination activities related to preparing 5500s. For example, our analysis showed that there are often three separate organizations which incur burden for a single filing: an actuarial firm, an accounting firm and the plan sponsor. If the service provider preparing the filing is other than the actuarial firm or accounting firm, and the plan requires information from an insurance carrier, there may be five organizations involved. Our methodology captures the burden for each organization separately for each plan type and type of data to allow for separate computation of averages and then produces cumulative totals. The DOL methodology implied that a single organization is completing the form and that the data were readily available. Also, the DOL estimate excluded many 5500 filings and many types of 5500 data for which DOL has no jurisdiction.

Our estimate of about 14.1 million hours is 42.3 million hours less than the IRS estimate. One reason for this is that most of the work on 5500s is performed by service providers who amortize their costs of learning the law across many filings, resulting in a more efficient filing process. The IRS model assumed that each filing requires a review of the law. The IRS estimate may also have reflected far less automated record keeping than is currently achieved using sophisticated software, which is specifically designed to produce data for the 5500 report. Finally, the IRS estimates were not based on any empirical data from 5500 filers, making it difficult to explain the difference.

I. INTRODUCTION

The Paperwork Reduction Act (PRA) requires that federal agencies estimate the respondent burden for all information collection activities. The PRA defines “burden” as:

the value of time, effort, and financial resources expended to generate, maintain, retain, disclose, or provide information to or for a federal agency. This includes reviewing instructions; developing, acquiring, installing, and utilizing technology and systems for any of these purposes; training personnel; searching data sources; collecting data; completing and reviewing information collections; and transmitting or otherwise disclosing information. “Burden” covers the time and other resources expended to fulfill specific, one-time information requests, as well as recurring information requests. This includes requests to obtain data and to develop, procure, and operate the information systems necessary or desirable to retain such data in fulfillment of statutory or regulatory requirements, whether or not they are applicable only to the period of a specific information collection request.¹

Burden estimation includes the task of identifying the marginal burden imposed by the agency over and above the time and cost of normal burden (usual and customary business practices):

Excluded from the definition of burden are all time and financial resources usually and customarily incurred by people in the course of their regular activity (for example, compiling and recording certain business records or sending copies of a corporate annual report or other report to anyone requesting it).

The criterion for exclusion is “usual and customary.” To exclude burden on these grounds, it is not enough for an agency to indicate a belief, or demonstrate that a few persons usually compile such information as part of their regular practice. The agency needs to demonstrate that the practice is both *usual and customary*. Any effort involved beyond that which is normally incurred in the absence of any collection of information from the federal government is counted as burden attributed to the collection of information (for instance, time spent in transcribing information onto a collection instrument).²

¹“The Paperwork Reduction Act of 1995: Implementing Guidance,” February 3, 1997 DRAFT, p. 40.

²Ibid., p. 48.

The Form 5500 series return/report is an information collection activity shared by four federal agencies: DOL PWBA, PBGC, IRS, and the Social Security Administration (SSA). PBGC has only a small number of items on the forms and collects these data from only a small proportion of filers (defined benefit pension plans). Calculation of PBGC burden is straightforward. DOL and IRS each have a large number of items on the form, which they share, as well as a large number for which each is responsible. In addition, there are filers who file only for the IRS, whereas other filers file only for DOL.

DOL and IRS have calculated their burden separately using highly discrepant approaches and coming to highly different conclusions. The IRS uses a methodology developed in 1988 which calculates burden based on the number of line items on a tax form and the number of references to the Internal Revenue Code (IRC) in the instructions. The IRS methodology assumes considerable record keeping burden to comply with tax laws, along with considerable time researching the law and filing instructions. The IRS methodology uses burden assumptions collected from survey data from filers of various tax forms (individual and business returns), but the agency does not use any data collected from filers of the 5500.³

The DOL methodology is based on breaking the filing population into 33 groups by size and type of plan and breaking the types of 5500 data into 10 groups. DOL then assigns a number of hours to the completion of each component of the filing and multiplies that number by the types of data on each filing, by the hours assumption for each type to arrive at a total burden figure. DOL uses an allocation formula based on each agency's ownership of or responsibility for data on the form to assign some of the burden to IRS. It identifies the residual as the DOL burden.

³See "Development of Methodology for Estimating the Taxpayer Paperwork Burden," Arthur D. Little, 1988.

This study attempts to reconcile the different estimates by developing and implementing a new approach to estimating 5500 reporting burden. We first considered conducting a random probability survey of businesses and service providers to develop estimates, but rejected this approach for the following reasons:

- ▼ Because of the wide variation in filing behavior and requirements among companies and service providers, the study would have to include a large number of sampling strata-- thus, to develop valid estimates for each strata, a large sample frame. Surveys of businesses are known to have a high nonresponse rate. The number of businesses to be sampled would increase, thus making the survey very expensive.
- ▼ Because businesses do not keep records of the time or money expended to file, it would be difficult to develop precise estimates even if a large, expensive survey were conducted.
 - ▼ Federal agencies should not significantly increase respondent burden in order to calculate burden estimates. Conducting a large survey violated the spirit of the Paperwork Reduction Act.

Instead, MPR conducted a small survey of service providers and sponsors to attempt to develop estimates directly from people who file 5500s themselves. MPR first convened a panel of ERISA experts to solicit input into the methodology. These experts estimated that 90 percent of filings were prepared by service providers and that sponsors often were not billed separately for the service, which was included in a bundled package. We then used the panel to recruit service providers and sponsors to participate in the study. We developed packages of materials customized for each type of respondent which they filled out after conducting internal surveys and research within their company. MPR made all initial contacts, answered questions, and acquired additional data by phone. One interview was conducted in person.

The study is based on several key principles. Service provider burden is measured in dollars and sponsor burden in hours. The final outcome thus represents sponsor and service provider burden separately, with the total of the two measures (hours and dollars) constituting the total burden. We were also asked to estimate the change in burden from the current (1997) form to the proposed new (1999) form. We determined that, because of the complexity of developing the 1997 baseline burden estimates, research for the comparison portion of the study should be conducted separately and submitted under separate cover.

There are many significant limitations on the estimation of 5500 filing burden. The estimates are complicated by the large number of variables to be considered. There are at least 52 general types of plans that submit subsets of 17 types of data which are filled out by sponsors and service providers in a huge number of combinations. This makes it difficult to distinguish 5500 burden from other ERISA-related burdens and from normal and customary business activities.

The basic approach used in this study was to solicit informed input from people who spend most of their time dealing with 5500 filings and therefore have a good understanding of how the filings are prepared in the real world. It is impossible to develop precise data for the actual time spent, because no such records are kept and because the large number of filing scenarios would require that records be kept by a great many service providers and sponsors. However, by collecting fairly detailed information from experts in the field, and projecting this information to the type and number of components filed by type of plan and volume of plan, reasonable estimates can be made. This study was undertaken to design a new methodology, one that could be adopted by DOL, IRS and PBGC and that would directly address the objectives of the PRA and result in reasonable estimates of the annual 5500 burden. Using a single methodology would avoid redundant burden estimates

(where both agencies took burden for the same line items), inaccurate allocation of burden, and inconsistent estimates.

This report presents the methodology and findings of the study. Chapter II discusses the current DOL and IRS approaches to estimating burden. Chapter III discusses the new methodology, including major conceptual issues and how they were resolved, issues involving burden estimation for each type of data, the data collection effort, and the analysis effort. Chapter IV presents the findings in summary form. Chapter V discusses the methodology for estimating the burden for the 1999 5500 forms. Chapter VI discusses the findings of the study of the 1999 burden estimation. Appendix A presents the minutes of the expert panel meeting, Appendix B presents the data collection instruments used in the study, Appendix C presents the baseline burden analysis spreadsheets, Appendix D presents the instruments used for quantifying the change in burden, Appendix E presents the change in burden and 1999 burden spreadsheets, Appendix F presents the agency burden proportions by plan of data type, and Appendix G provides the OMB presentation delivered on May 12.

II. BACKGROUND: THE CURRENT DOL AND IRS METHODOLOGIES

The current DOL and IRS methodologies for calculating the filer burden associated with completing the 5500 series forms and schedules had inherent limitations which impacted their accuracy. The DOL methodology produced estimates broken down by type of plan and the type of data filed by each plan. This is the only means of allocating burden between agencies, because the allocation depends on the type of plan and the type of data filed. The DOL methodology, however, was overly simplified, lacked any input from filers, and excluded many filing-related, record keeping and data collection activities, as well as many filings and filing components. The IRS methodology was very complex and relied greatly on input from tax return filers, but did not include any assumptions about the 5500 filing process, which is different. The IRS methodology overstated the amount of record keeping required, perhaps because the data it relied on was collected prior to full automation of many record keeping systems. The IRS methodology also overstated the burden of researching the law, because most 5500 preparers are professional service providers who amortize their legal research burden over many filings.

Table II.1 contains the DOL and IRS burden hour estimates for the streamlined 1999 forms prepared at the time the proposed form revision was published.¹ Those are the most current estimates available under the existing methodologies.²

¹*Federal Register*, vol. 62, no. 170, September 3, 1997.

²The IRS total annual burden estimate for the 1997 forms was 56.4 million. The estimates in the table are the initial estimates for the 1999 forms, published in the Federal Register. *Federal Register*, vol. 62, no. 170, September 3, 1997.

A. DEPARTMENT OF LABOR

DOL's methodology for estimating burden, though directly tailored and targeted specifically to the 5500 series forms, did not include input from either plan sponsors or service providers. The PWBA analysis is thus overly simplified, because it fails to consider many of the specific burdens involved in collecting and coordinating the information required by the forms. The DOL analysis did not include record keeping and data collection costs, incurred by sponsors, paid form preparers or enrolled actuaries and accountants, who must perform specific functions to comply with the filing requirement. The DOL methodology did not factor in the involvement of multiple organizations in a single filing. For example, even when the sponsor outsources the filing preparation, the sponsor often meets with auditors, provides extensive participant data, reviews financial statements, and always approves and signs the final submissions. The DOL methodology also excluded some of the filings and forms filed to meet 5500 reporting requirements when they apply exclusively to the IRS, and therefore understated the total burden.

DOL did not attribute a record keeping burden to the Form 5500 and thus excluded many significant activities, including nondiscrimination testing, profiles of the participant population, and data collection to complete Schedule SSA. DOL did not include a realistic assessment of the burden on either sponsors and accountants of conducting the annual plan audit, nor did it include a realistic cost of preparing Schedule B. Following is DOL's description of its methodology and its burden estimates:

The DOL uses a matrix involving a series of mathematical calculations to estimate burdens associated with preparing, sending, and learning about the Form 5500 Series report. Burden hour calculations are determined by identifying groups of plans within the universe of filers that have similar reporting requirements and grouping them into categories based on those annual reporting requirements. Under the current estimating scheme, the universe is divided into three basic plan types: defined benefit pension plans, defined contribution pension plans, and welfare plans. Each of these major plan types is then further subdivided

into multiemployer and single-employer plans and into self-insured plans, fully insured plans, and split funded plans. Since the filing requirements differ substantially for smaller and larger plans, the plan types are further divided by plan size. For smaller plans (those with fewer than 100 participants) the multiemployer/single-employer distinction is not retained because there are so few small multiemployer plans. Thus, for larger plans, calculations are prepared for fifteen different plan types, and for smaller plans, calculations are prepared for nine different plan types.

In addition to separating plans by type and size, to make the burden hour calculations manageable and more meaningful, individual questions on the form are grouped by the type of information requested. The grouping of items includes the following categories: (1) instructions and plan identification information, (2) plan operation information, (3) financial/ fiduciary information, (4) plan qualification and tax information, (5) minimum funding questions, (6) plan assets with financial schedules (including Schedules C and G), (7) Schedule A, (8) Schedule B, and (9) Schedule SSA.

Each group of related items is reviewed, and an estimate of the time needed to complete that group is developed. When items in a category are required by more than one agency, the estimated time required by each type of plan filing is allocated among the agencies for that particular category of items. This allocation is based on whether only a single item in a group is required by more than one agency or whether several or all of the items are required by more than one agency. Because filers must read not only the instruction to particular categories, but also general instructions pertaining to the general filing requirements for small and large plans, a burden is assessed for the instructions on the particular group and as a whole. This burden is included within the plan identification category.

This methodology is designed to approximate the burden actually imposed on filers. Thus, a plan's reporting burden is defined in terms of the specific items and schedules it must comply with, and it will depend on the size of the burden, its funding method, and the investment structures.

Table II.2 contains DOL's aggregate burden hour estimates for both large (5500) and small (5500 C/R) plans along the dimensions outlined above.

B. THE IRS METHODOLOGY

The methodology used by the IRS was also limited, in that it is not 5500 series specific, and was based on the burden required to complete individual and corporate tax documents. The 5500 series forms are unique in many ways and thus should be analyzed separately from other tax forms. For

example, completing Schedule B involves outsourcing to an enrolled actuary to obtain specific funding calculations and assumptions. Similarly, SSA, which lists separated participants with deferred vested benefits, is extremely burdensome for large filers to complete; it also is unique to the 5500 series of forms. For these reasons, an analysis tailored to 5500 series forms and schedules would be superior to a burden analysis that does not include data on how 5500 forms are actually prepared. Table II.3 contains the initial IRS burden estimates for the form and schedules for the following four activities: (1) record keeping; (2) learning about the law or form; (3) preparing the form; and (4) copying, assembling, and sending the form.³

³*Federal Register*, vol. 62, no. 170, September 3, 1997. These hours reflect IRS initial estimates for the 1999 forms.

TABLE II.1

DOL ESTIMATES UNDER CURRENT METHODOLOGY

TOTAL INDIVIDUAL FILER BURDEN BY TYPE OF PLAN AND ITEM CLASS

Plan Type	Total Hours
5500 - Large Plans (greater than 100 participants)	
Defined Benefit, Multiemployer, Split Funded	11.48
Defined Benefit, Single Employer, Split Funded	8.82
Defined Benefit, Multiemployer, Self-Insured (Trust)	10.98
Defined Benefit, Single Employer, Self-Insured (Trust)	8.32
Defined Benefit, Fully Insured	5.65
Defined Contribution, Multiemployer, Split Funded	9.53
Defined Contribution, Single Employer, Split Funded	6.87
Defined Contribution, Multiemployer, Self-Insured (Trust)	9.03
Defined Contribution, Single Employer, Self-Insured (Trust)	6.37
Defined Contribution, Fully Insured	3.68
Welfare, Multiemployer, Split Funded	7.33
Welfare, Single Employer, Split Funded	4.67
Welfare, Multiemployer, Self-Insured (Trust)	6.83
Welfare, Single Employer, Self-Insured (Trust)	4.17
Welfare, Fully Insured	1.75
5500C - Small Plans (Less than 100 participants)	
Defined Benefit, Split Funded	5.53
Defined Benefit, Self-Insured (Trust)	5.03
Defined Benefit, Fully Insured	4.53
Defined Contribution, Split Funded	4.70
Defined Contribution, Self-Insured (Trust)	4.20
Defined Contribution, Fully Insured	3.68
Welfare, Split Funded	2.00

Plan Type	Total Hours
Welfare, Self-Insured (Trust)	1.50
5500R - Small Plans (Less than 100 participants)	
Defined Benefit, Split Funded	2.93
Defined Benefit, Self-Insured (Trust)	2.43
Defined Benefit, Fully Insured	2.68
Defined Contribution, Split Funded	2.12
Defined Contribution, Self-Insured (Trust)	1.62
Defined Contribution, Fully Insured	1.87
Welfare, Split Funded	0.97
Welfare, Self-Insured (Trust)	0.47

III. METHODOLOGY FOR BASELINE (1997) BURDEN ESTIMATION

This chapter presents the methodology used to estimate 5500 baseline burden. First, we discuss key issues and assumptions used, then the issues that arose, to develop burden estimates for each type of 5500 data. We then present the data collection and analysis methodologies.

A. OVERALL APPROACH AND KEY ASSUMPTIONS

Due to the many factors that bear on the problem, numerous issues must be resolved in estimating 5500 filing burden. This section describes the issues we confronted and the decisions that were made to resolve them to create the basic assumptions that underlie the study.

1. Estimates Developed for Both Sponsor Hours and Service Provider Dollars

A basic assumption in this study is that the agencies should measure burden undertaken by service providers in dollars, and burden undertaken by plan sponsors in hours. The final outcome would thus represent sponsor and service provider burden separately, with the total of the two measures (hours and dollars) constituting the total burden.

The burden of complying with the 5500 reporting requirements falls on plan sponsors who, in turn, rely on professional service providers who perform many support functions for plans, including providing and preparing data for the 5500 report. These service providers include accounting firms (which may perform audits, record-keeping functions, and form preparation functions); actuarial firms (which provide actuarial services to defined benefit pension plans and may also perform record-keeping and form preparation functions); third-party administrators, which may be accounting or actuarial firms themselves and which perform the same functions; banks, insurance, and mutual fund companies and banks that perform record-keeping and form-preparation functions.

Under Office of Management and Budget (OMB) guidelines adopted by the DOL for estimating burden, burden incurred by sponsors is measured in hours and burden incurred by service providers is measured in dollars. In order to avoid double counting burden, we made an assumption about what proportion of filings were prepared by sponsors and what proportion by service providers -- this is perhaps the most important assumption in the study. The expert panel estimated that 90 percent of filings are prepared by service providers. The panel also noted that it is important to capture the hours sponsors spend to support the filing process, even when the form is filled out by service providers. These activities include responding to requests for information about plan participants and reviewing the filing. The findings of the study indicated that sponsors also spend considerable time supporting auditors.

It was also important to collect data from sponsors who undertook the Form 5500 burden themselves, even though these sponsors would be difficult to identify because this study was reliant on using service providers to identify sponsors; by definition these sponsors used service providers for filing. There is also no way to use the 5500 data files to identify sponsors who complete the filing themselves.

Finally, it was important to accurately capture actuarial and audit fees, which must be paid by all sponsors for defined benefit plans and those filing Form 5500 for a plan for which an audit is required. We therefore developed an approach that measured four types of burden:

- ▼ Burden incurred by service providers when service providers prepare the filing (group A). This type of burden was applied to 90 percent of filings, which is our assumption of the proportion of filings which are prepared by a service provider.
- ▼ Burden incurred by actuaries and accountants when either a service provider or a sponsor prepares the filing (group B). This type of burden was applied to 100 percent of plans for which

a Schedule B or an audit is required. These functions are performed by accountants or actuaries regardless of whether the filing is prepared by a service provider or sponsor.

- ▼ Burden incurred by sponsors when sponsors prepare the filing (group C). This type of burden was applied to 10 percent of filings, which is our assumption of the proportion of filings prepared by sponsors.
- ▼ Burden incurred by sponsors when service providers prepare the filing (group D). This burden was applied to 90 percent of filings which is our assumption about the proportion of filings prepared by sponsors.

2. Estimates Developed for Each Plan Type and for Each Filing Component

Developing estimates of 5500 burden is complicated by the large number of variables to consider. At least 52 general types of plans submit subsets of 17 types of data which are filled out by sponsors and service providers in a huge number of combinations. The basic approach used in this study was to solicit informed input from people who spend most of their time dealing with 5500 filings and thus have a good understanding of how the filings are prepared in the real world. It is impossible to develop empirical data for the actual time spent, because no such records are kept and the large number of filing scenarios would require that records be kept by many service providers and sponsors. However, by collecting fairly detailed information from experts in the field, and by projecting this information to the type and number of components filed by each type of plan and by the volume of each type of plan, reasonable estimates can be made.

MPR adopted the DOL approach to estimating filer burden by plan type and data type because it was the only way to allocate the total burden estimate between the IRS and DOL. This method develops estimates for each of the types of data filed, rather than for plans as a whole. MPR added data types that were not included in the DOL study because they represented IRS requirements and not DOL requirements. By developing separate estimates for each component of a filing, we can

allocate the burden entirely to DOL, IRS, PBGC, or SSA, or it can be split between the four agencies.

B. COLLECTING AND USING AGGREGATE DATA ON TIME AND DOLLARS

We were not always able to obtain estimates broken down by the type of data filed, for example, plan identification, plan operations and so forth. Sponsors who do not complete the filing themselves play a very limited role and obviously would not be able to furnish information on how much of their time is spent on each type of data. We thus collected aggregate data from these sponsors to estimate the time they spend for each plan as a whole.

It is difficult for service providers to estimate costs associated with 5500 filing because these costs are included in bundled services. Some service providers conducted research and took the time to allocate the burden among the data types. Other service providers took less time or were only comfortable in giving estimates of their aggregate billing rate for each type of plan for which they completed filings or performed a 5500-related service.

It was important to use the aggregate data to increase the breadth of the analysis, but the data had to be disaggregated or it could not be used to allocate burden among the agencies. The aggregate data are spread across the data types based on the proportions of burden incurred by each type of data as collected from respondents who were able to provide more detailed data.

C. DISTINGUISHING 5500 BURDEN FROM NORMAL PLAN OPERATIONS AND OTHER ERISA BURDEN

One of the most difficult issues in estimating 5500 burden is distinguishing the burden associated with normal plan operations and other aspects of ERISA from the burden specifically associated with the 5500 filing requirement. There are two separate problems: first, the respondent must decide if the burden is a normal and customary business practice, and second they have to

decide if the burden is related to the 5500 specifically, rather than to another ERISA-related requirement, because the agencies already include in their burden estimates the burden associated with other ERISA information collection activities besides the 5500.

The problem is fairly straightforward for the Department of Labor. Title I of ERISA and the Department's regulations clearly describe the 5500 reporting requirements which could be distinguished from other DOL data collection requirements. For example, the plan audit requirement is in Section 103 and should thus be included in the 5500 burden, not in another information collection activity burden.

This is a more complex problem for the IRS, because there is no language in Title II that specifically lists activities required for the 5500. Therefore, record keeping activities such as actuarial valuations and nondiscrimination testing, which are two of the most significant burdens on 5500 filers, are not specifically prescribed by the filing requirement. IRS officials explained that even beyond the lack of clarity in the Internal Revenue Code about where the burden should be assigned, the steps required by sponsors to have their plans meet all IRS qualification rules are also related to the sponsor's corporate tax return where the deductions are ultimately taken. It was agreed that the actuarial valuation would occur even in the absence of the government's plan qualification provisions, in order to determine the required funding for the plan. The IRS provided MPR with a series of assumptions on which parts of the Schedule B would be done as a normal and customary business practice and under what circumstances. The data collection methodology and the level of effort respondents were willing to commit did not allow detailed breakouts of the actuarial and nondiscrimination testing efforts. Respondents were simply asked to estimate the burden using their best judgment. These issues are discussed further in the actuarial and plan qualification sections below.

Given the limitations on the length of time respondents were able to devote to the study, the respondents were asked to include in their estimates only that burden which, in their judgment, is not a normal and customary business practice and which is required specifically by the 5500.

D. LEVEL OF DETAIL IN ESTIMATING THE TYPE OF BURDEN INCURRED

The current IRS and DOL estimates are based on a breakout among different types of burden: record keeping, learning about the law, and preparing the filing itself. Not only are these breakouts difficult to estimate, there are several important factors which make such breakouts of the burden less meaningful.

Learning about the law becomes a less significant burden when we estimate that 90 percent of all 5500 filings are prepared by professional service providers. Because these providers prepare many 5500s each year, the marginal burden on a per filing basis for learning the law is very low. The large percentage prepared by service providers also mitigates the additional burden imposed on first-time filers, because most of these would use service providers who would already know all the reporting rules.

Record keeping is also difficult to estimate. Many service providers have software which is specifically developed to provide data in the format required by the 5500. Because this development has been done incrementally for many years, there is no significant cost on an annual basis. Some service providers were able to estimate their annual maintenance costs for software and others simply reported these costs in their fees. Service providers set up for very large scale record keeping in relatively low cost regions generate 5500s very efficiently. Because respondents were not normally able to provide estimates of software maintenance burden, it is possible that those costs are understated.

E. ISSUES AND FINDINGS RELATING TO SPECIFIC TYPES OF 5500 DATA

This section presents assumptions made in estimating burden for specific types of 5500 data filed which required special analysis. These assumptions include adjustments made to account for variable form volumes and how to allocate data-specific burden among agencies.

1. Plan Identification

When respondents reported time spent copying and reviewing the filing, it was assigned to this data category. For welfare plans, we have allocated 10 percent of the plan identification data to the IRS. This is based on the assumption that for 20 percent of the welfare plans the IRS is responsible for 50 percent of the plan identification data. This is because 20 percent of welfare plans file a Schedule F because they contain fringe benefits and therefore need to file the plan identification data for the IRS as well as DOL.

2. Plan Qualification/Tax Related Items

As discussed above, the IRS advised that the burden of plan qualification could logically be spread over several tax forms, including Form 5330 and the corporate tax return on which the deductions for contributions to qualified plans ultimately is taken (Form 1120). This study has allocated all of the burden reported for coverage testing to the 5500 burden based on the judgment of the respondents. There remains an issue as to whether the reported burden on the 5500 should be reduced because it is double counting burden reported on the other IRS tax forms.

3. Minimum Funding Items

These items apply basically to defined benefit plans (under rare circumstances, they can apply to defined contribution plans). These are normally provided by the actuary as part of the actuarial services and are thus not normally completed by the filer (whether the filer is a service provider or

a sponsor) unless the filer is the actuarial firm. Thus, it is logical to expect low reported figures for sponsor hours and for dollars when service providers file. Sometimes respondents broke out the actuarial fees between this item and Schedule B, and sometimes they were all allocated to Schedule B. For the purposes of estimating total IRS burden, this breakout is irrelevant. Because the allocation was done inconsistently, it is safer to combine the burden from this estimate and Schedule B together to estimate the total burden on actuaries.

4. 5500 Financial Schedules

We assumed that for 27 percent of defined benefit plans only one-third of the normal financial burden should be included because the assets are entirely invested in DFEs which simplifies reporting. This also applies to 19 percent of the defined contribution volumes.

5. Audits and Accountants' Reports

Both the panel and the respondents agreed that the entire burden of the plan audit (which is required for all plans with more than 100 participants and which maintain a trust) should not be attributed to the 5500, because other factors would cause plan sponsors to have their plans audited, absent even the 5500 filing requirement:

- ▼ It was assumed that all multiemployer plans would be subjected to audit as a normal and customary practice by plan trustees. Respondents universally agreed with this assumption, and therefore no audit costs for these plans are included in the estimates.
- ▼ Because we determined that even some plans filing 5500C or R which are not subjected to the audit requirement are audited, it is clear that audits would occur for some single employer 5500s absent the 5500 requirement. Based on discussions with respondents we have assumed that very large single employer plans (greater than 10,000 participants) would be audited absent the 5500

requirement and therefore have not assessed any burden for these plans. For large single employer plans (between 100 and 10,000 participants), we have assumed that 25 percent of single employer plans would be audited absent the 5500 requirement and have therefore assessed the reported burden to 75 percent of these plans.

There are often two service providers involved with audits--one to conduct the audit and one to use the audit information to complete the form. We analyzed these data separately to facilitate the computation of a true average and to allow the cumulative amounts to be reported. In addition to two separate service providers incurring burden for a single audit, plan sponsors always incur a burden for an audit to provide information.

Several respondents reported that the audit process often includes nondiscrimination testing and other analyses of participant data. We have therefore allocated only 75 percent of the reported audit costs to the audit data type to avoid double counting the burden of the additional participant analysis conducted under the audit.

6. Schedule A

We developed a ratio of the numbers of Schedule As for each type of filing used to calculate the total Schedule A burden. The inflation factor is a proportion derived by dividing the total number of Schedule As processed in plan year 1995, specific to that plan type, by the number of processed filings for that plan type in 1995. The burden of the insurance company to generate the Schedule A data and the burden of the filing preparer (service provider or sponsor) to collect, review, and report the information were analyzed separately.

7. Schedule B

Burden estimates for the completion of Schedule B, like minimum funding data and the nondiscrimination testing in the plan qualification data, may be partly allocated to other IRS forms, pending discussions with IRS.

8. Schedule C

The burden of Schedule C was estimated based on the average number of Schedule Cs filed per 5500. A deflation factor was derived by dividing the total number of Schedule Cs filed by 5500 filers in 1995 by the total number of filings for plan types that filed Schedule Cs in 1995, exclusive of pure fringe filings.

9. Schedule E

The total of the estimated number of Schedule Es filed in a single plan year was weighted by a factor of .10 for sponsors (groups C and D) and .90 for service providers (groups A and B). This adjusted estimate of the number of Schedule Es filed in a plan year was then divided by the total number of filings in plan year 1995 for plan types that filed Schedule Es. The total number of filings for plan year 1995 was specific to each group.

10. Schedule F

A deflation factor for Schedule F was derived by dividing the total number of Schedule Fs filed in 1995 by the number of plans for plan types which filed Schedule Fs in 1995.

The vast majority of filings that have a Schedule F attached (approximately 80 percent) are fringe-benefit-only plans for which the Schedule F is the major filing component. Schedule F also is required for approximately 20 percent of welfare plans because they contain fringe benefits, and thus would need to file plan identification data. We have therefore included Schedule F burden estimates for every fringe benefit plan and for 20 percent of welfare plans. Schedule F, required by the IRS, involves calculations that involve participating employees. Burden for welfare plans is allocated to DOL except for the preparation of Schedule F. However, for 20 percent of welfare plans

the IRS is responsible for 50 percent of the plan identification burden, so the IRS is responsible for 10 percent of the plan identification burden for all welfare plans.

11. Schedule SSA

A deflation factor for Schedule SSA was derived by dividing the total number of Schedule SSAs filed in 1995 by the number of plans for three groups of plan types which filed Schedule SSAs: very large, large, and small plans. The average burden hours associated with completing a Schedule SSA was assumed to be the same whether the plan was a defined benefit plan or a defined contribution plan. This assumption was based on the premise that while defined benefit plans are required to track more separated vested plan participants, this burden is offset by the burden of tracking the timing of participant separation and payouts associated with defined contribution plans.

F. DATA COLLECTION METHODOLOGY

1. Study Plan

The data collection methodology consists of in-depth interviews of service providers and sponsors in lieu of a large-scale data-gathering effort. It was determined that in-depth interviews and flexible data collection instruments which are more qualitative would produce useful burden estimates without the cost and additional burden to the public which would be required by a large-scale data collection.

The study plan also included convening an expert panel, of up to six members, to produce preliminary estimates of 5500 filer burden and to discuss the basic assumptions regarding the record keeping burden and the burden of reviewing relevant laws and regulations implicit in the definition of “burden” for the Form 5500 Series.

2. Input from Panel Meeting

A panel of experts was convened on June 9, 1998. The experts were recruited by contacting most major employee benefit-related trade associations and asking for knowledgeable experts on 5500 preparation. The meeting covered a broad range of topics, including the approach to measuring burden, the level of detail that was practical in the data collection instrument, the sampling strategy and specific filing components which represented the most burden.

Prior to the meeting, MPR circulated a draft of the proposed data collection instrument to the panel members. The instrument contained two tables. The first table (A) listed all the various types of service providers; the second (B) contained all the types of 5500 data that were collected. MPR explained that the proposed final instrument would consist of a matrix linking the service provider table with the data type table. In this model, each respondent or service provider would be asked only to give burden estimates for data types that were applicable. For example, a service provider who completes the 5500 EZ would not be asked to respond to questions addressing any schedules. Panel members expressed some concern that it may be difficult for service providers to provide burden estimates broken out in this manner, since they generally do not keep such records. After discussions with respondents on this issue, MPR reduced the level of detail of the instrument.

Discussions with the panel helped MPR finalize the sampling strategy, developing a list of the types and numbers of service providers and sponsors that would be representative of all filers. The following table (Table III.1) lists the specific types of sponsor and service providers comprising the sample proposed by the panel.

The sampling specifications were designed to represent as many plan types as possible. The sample of sponsor types incorporates defined benefit plans, defined contributions plans, and welfare plans, because large sponsors generally maintain at least one of each type of plan.

The panel participants were asked to provide contacts for each of the proposed sample groups. The panel members placed the initial calls to the contacts to explain the purpose of the study and to ask for their participation. They then provided the names and numbers to MPR, to use as either in-person or telephone respondents. MPR urged the panel to contact service providers within the regional area to allow for in-person interviews, if possible.

TABLE III.1
SAMPLING SPECIFICATIONS

Sponsor or Service Provider Type	Sample Size
Multiemployer	3
Very Large Single Employer	3
Large Single Employer	3
Small Sponsor	6
5500 EZ	1
Banks	2
Insurance	2
Actuarial	2
Accounting	4
Mutual Funds	1
Third-Party Administrators (TPAs)	3
Total	30

3. Development of Questionnaire

Following the panel meeting, and after preliminary discussions with several service providers, MPR continued to refine the data collection instrument. The final instrument contained all the proposed categories of data types, but a reduced number of plan types, to reduce the amount of research that respondents had to conduct to determine the number of filings they serviced or filed for each category of plan type. Data type breakouts are essential to allocate burden between agencies; the burden by data type either varied little by plan type or varied predictably to enable us to make estimates by plan type.

After initial telephone discussions to explain the purpose of the study and the issues involved in distinguishing 5500 burden from normal and customary business practice, all respondents were sent a self-administered questionnaire to capture the types of plans they serviced and the burden for each data type. Separate questionnaires were developed for service providers and for sponsors. Questionnaires for service providers consisted of a personalized cover letter, plus two data collection tables and a copy of the 5500 annotated to indicate the items that belonged to each of the categories of data. The cover letter explained the purpose of the study, that it was sanctioned by OMB, and that they should include only estimates of burden directly attributable to the 5500 filing requirement, not normal and customary business practices or other federal data collection activities. The data collection tables included the following:

- ▼ ***Table A: Types of 5500 Filings Serviced.*** This table lists all relevant plan types and asks for estimates of the number of plans filed or supported.
- ▼ ***Table B: Estimated Costs of Record Keeping and Filing Types of Data.*** This table lists the 5500 data types and asks for the associated record keeping and filing costs of each, if applicable.

The questionnaire for sponsors included a cover letter and two data collection tables, which were used to collect the same types of data as the service provider tables, but the categories were tailored to sponsors. Appendix B contains additional information about the respondent packages, as well as copies of the cover letters, data collection instruments, and annotated forms provided to respondents.

4. Fielding Period

MPR contacted potential respondents as soon as panel members provided us with the contacts. Initially, there was success locating regional TPAs and regional accounting firms, but difficulty finding single employer and multiemployer sponsors. In certain cases, obtaining the contact information from the panel members required significant follow up, including as many as 15 phone calls per respondent.

Prior to mailing the questionnaire packages to the service providers and sponsors, MPR called the contact person to ask for their cooperation and to provide additional information on the purpose of the study. The questionnaires were mailed out on a rolling schedule, as new contacts were provided to us.

Some respondents contacted MPR to seek clarification or to ask questions. In other cases, MPR contacted the respondent upon receipt of the questionnaire if there were unanswered questions or suspect data. There were several refusals, and there were a number of respondents who agreed to comply only after we agreed to accept aggregate data (rather than burden broken out by type of 5500 data), because they could not obtain the information needed from their company to estimate burden broken down by data type.

A number of sponsors of small plans were not sent the questionnaire, but instead were called and asked a subset of questions, including:

- ▼ Number and type of plans?
- ▼ Plans completed in-house or outsourced?
- ▼ If completed in-house, the approximate amount of time spent per plan?
- ▼ If outsourced, the approximate amount of time spent preparing?
- ▼ Are the plans audited?
 - ▼ If they are audited, how much time is spent preparing for, participating in, and following up?

The following table (Table III.2) provides a list of the types of respondents and the total number of respondents filing plans representing these categories. The third column provides the total number of all plans filed in each plan type category.

G. ANALYSIS METHODOLOGY

This section describes the numerous stages involved in analyzing the data to produce the estimates. The first step was to map the observations to plan types. This was straightforward when the observation was for a specific plan. For service providers who prepared filings for many types of plans, we mapped the data to each type that they serviced.

All observations were then sorted into the four groups detailed previously. The observations for these groups are summarized in Table III.3.

TABLE III.2

COMPARISON BETWEEN NUMBER OF PLANS REPRESENTED BY THE SAMPLE
AND TOTAL NUMBER OF PLANS FILED

Survey Plan Type Categories	Number of Plans Filed by Respondents	Total Number of Plans Filed
1 Single Employer Defined Benefit (DB), Greater Than (GT) 10,000 participants	278	1,087
2 Single Employer DB, 100 to 10,000 participants	928	14,549
3 Single Employer DB, Less Than (LT) 100 participants (5500C/R)	3,142	54,475
4 Single Employer Defined Contribution (DC), GT 10,000 participants	208	1,225
5 Single Employer DC, 100 to 10,000 participants	4,054	42,907
6 Single Employer DC, LT 100 participants (5500C/R)	44,748	587,633
7 Single Employer Welfare, GT 100 participants	8,945	86,305
8 Single Employer Welfare, LT 100 participants	28	21,100
9 5500EZ	227	234,500
10 Multiemployer DB	150	1,766
11 Multiemployer DC	227	1,135
12 Multiemployer Welfare	100	3,170
13 Cafeteria Plan (Fringe Benefit Only)	232	135,000
Totals	63,267	1,184,852

TABLE III.3
SAMPLING PLAN AND SAMPLING RESULTS

Type of Respondent	By Data Type	Number of Observations Collected	
		Aggregate Burden by Plan Type	Total Observations
A. Service Providers (Dollars)	145	88	233
B. Service Providers (Dollars)	39	0	39
C. Sponsors (Hours)	50	24	74
D. Sponsors (Hours)	0	155	155

Service provider data were reported as costs in burden dollars (groups A and B). Sponsor data were reported as the number of burden hours (groups C and D). Some data from respondents who do their own filing, and some data from service providers who do not do their own filing (groups A, B, and C) were specific to each data type. For example, specific values were provided for Schedule A, Schedule C, and other data types. After collection, all respondent data were assigned to a specific group according to the above-mentioned characteristics. All of the following calculations and descriptions concern data within these respective groups.

In some cases, respondent data were reported as aggregate data (groups A, C). In the case of sponsors who do not do their own filing (group D), all reported data were aggregate data. Aggregate data were the total for the amount of burden hours or dollars that respondents exhausted in completing the required forms. The number of cases where aggregated data were reported varied

across groups. In order to estimate the burden that respondents exhausted for specific data types, the aggregated data were distributed to specific data types according to the following procedure. First, an average for data from respondents who provided specific data type data (groups A and C) was calculated for each individual plan type. Second, a total of the averages of specific data types for each individual plan type was calculated. Third, the average for each specific data type for each plan type was divided by the total of the averages of the data types for that plan type (the number in step two). The final number generated in step three became the proportion of burden that respondents exhausted for that specific data type in that plan type. Fourth, this proportion was multiplied against the reported aggregate data for that plan type, to properly spread these aggregated data back to specific data types.

In cases where only one respondent reported specific data type data for a particular plan type, it was not necessary to calculate an average for that data type across respondents. The reported data were divided by the sum of all reported data for that plan type to arrive at a proportion of burden that respondents exhausted for that specific data type, for that plan type.

After the assignment of aggregate data to specific data types for each plan type was completed, a new average for each data type for each plan type was calculated. The new average for each data type and for each plan type was multiplied by a percentage figure for each government agency to arrive at a proportion of burden allocated to each agency. Appendix D contains the proportional allocation to agencies by plan type and data type. This number will hereafter be referred to as the agency percentage figure. For Schedules A, C, E, F and SSA, the new averages were inflated or deflated by a proportion derived by dividing the total number of each schedule filed by the total number of filings for plan types that could file that schedule. In cases where some data types did not pertain to a particular plan type, data were not presented.

The volumes of plan types processed for plan year 1995 were used to create the estimates. A volume share number was calculated by multiplying the volume of plan types by a weighted factor of .90 for sponsors who do not do their own filing (group D), .10 for sponsors who do their own filing (group C), no weighting for service providers who do not do their own filing (group B) and .90 for service providers preparing filings (group A). A figure for a total volume share for each plan type was calculated by multiplying the total by the volume share. In the cases of data for Schedule A, C, E, F and SSA this total figure included the above-mentioned inflation or deflation factors. A total volume share for each government agency was then calculated by multiplying the agency percentage figure (described above) by the volume share for that data type for that plan type. The data from each plan type were then summed across groups by respondent type, to produce the summary tables in Chapter IV and Appendix C.

After total volume shares in both hours and dollars were calculated, the burden in dollars was then converted to hours by using a rate of \$75 per hour.¹ The total derived burden in hours was then divided by the volume of filings in each plan and data type, to derive average burden unit costs in hours by plan and data type. It should be noted that these burden unit costs do not incorporate the inflator and deflators already discussed, because the unit burden costs represent the average cost for filing one schedule, not the average cost of filing a schedule across all filers, regardless of whether they file the schedule and regardless of how many of those schedules they file. For example, the

¹ For the purpose of simplifying the illustration of changes in burden, the costs reported for the 1997 baseline have been converted to hours at a rate of \$75 per hour. This rate, which was supplied by DOL, is based on average labor hour rates for lawyers, accountants, budget analysts, and financial managers from the 1998 Employment Cost Index and the 1997 Occupational Employment Statistics Survey (Bureau of Labor Statistics) as adjusted for estimated overhead and profit margin.

burden unit cost for a Schedule A is the cost of filing one Schedule A, even though the inflator indicates that the typical filer submits more than one Schedule A. Similarly, the unit burden cost of a Schedule E is the cost of filing one Schedule E, even though the deflator indicates that filers, on average, submit fewer than one Schedule E.

IV. FINDINGS OF BASELINE (1997) BURDEN ESTIMATION

This study showed that the 5500 burden falls in between the previous estimates developed by DOL and the IRS. We estimate that the total burden is about 3.6 million sponsor hours, plus about \$875 million in service provider costs. Table IV.1 summarizes the results of the survey and the analysis.

TABLE IV.1
SUMMARY OF BURDEN BY AGENCY

Agency	Burden on Plan Sponsors, Measured in Hours	Burden on Service Providers to Plans, Measured in Hundreds of Dollars
IRS	2,131,261	\$301,312,071
DOL	1,291,458	\$557,907,422
PBGC	6,173	\$3,378,271
SSA	220,074	\$12,194,358
Total	3,648,966	\$874,792,122

These estimates fall in between the current DOL and IRS burden estimates. If we convert the service provider burden to hours, using a figure of \$75 per hour¹, the service provider burden would be 11.7 million hours, resulting in a total burden of approximately 15.3 million hours. This estimate

¹For the purpose of simplifying the illustration of changes in burden, the costs reported for 1997 baseline have been converted to hours at a rate of \$75 per hour. This rate, which supplied by DOL, is based on average labor hour rates for lawyers, accountants, budget analysts, and financial managers from the 1998 Employment Cost Index and 1997 Occupational Employment Statistics Survey (Bureau of Labor Statistics) as adjusted for estimated overhead and profit margin.

greatly exceeds the current DOL estimate. There are sound reasons for this. First, the DOL estimate excludes many 5500 filings and many types of 5500 data for which DOL has no jurisdiction. The DOL estimate also is based on overly simplified assumptions and excludes many record keeping, data collection and coordination activities related to preparing 5500s. For instance, the DOL assumption that sponsors should keep records which match 5500 requirements was not validated by the survey results. Our analysis also showed that there are often three separate organizations which incur burden for a single filing: an actuarial firm, an accounting firm, and the plan sponsor. If the service provider preparing the filing is other than the actuarial firm or accounting firm, and the plan requires information from an insurance carrier, there may be five organizations involved. Our methodology captures the burden for each organization separately for each plan type and type of data, to allow for separate computation of averages, then produces cumulative totals.

Our estimate of about 15.3 million hours is 41.1 million hours less than the IRS estimate. One reason for this difference is that most of the work on 5500s is performed by service providers who spread their costs of learning the law across many filings, resulting in a more efficient filing process than assumed by the IRS. The IRS estimate may also reflect far less automated record keeping than is currently achieved using sophisticated software, which is specifically designed to produce data for the 5500 report. Finally, because the unique circumstances under which form 5500s are prepared were not analyzed in the IRS estimates, it is not surprising that the estimates differ. The IRS did not use any empirical data on 5500 filing preparation, making it difficult to compare their estimates to ours. Tables IV.2 and IV.3 show the hours and dollars broken down by plan type and agency.

The high degree of variability in the data reflects the wide range of circumstances under which 5500 filings are prepared as well as the variability in filing requirements across different plans. Higher estimates of burden reflected higher-cost service providers, more meticulous attention to the

TABLE IV.2

TOTAL SPONSOR HOURS BURDEN BY PLAN TYPE AND AGENCY

(L = Large, VL = Very Large)

	Volume	Total Hours	Total DOL Hours	Total IRS Hours	Total PBGC Hours	Total SSA Hours
<u>Form 5500 - Large Plans</u>						
1 DB, Multiemployer, Split Funded L	423	6,678	2,975	2,409	89	1,206
2 DB, Multiemployer, Split Funded VL	85	3,920	1,197	1,353	44	1,326
3 DB, Single Employer, Split Funded L	4,129	99,313	58,431	31,049	544	9,290
4 DB, Single Employer, Split Funded VL	345	17,034	5,312	7,009	159	4,554
5 DB, Multiemployer, Trust Only L	1,082	18,416	8,123	7,061	149	3,084
6 DB, Multiemployer, Trust Only VL	180	8,123	2,386	2,842	87	2,808
7 DB, Single Employer, Trust Only L	10,429	253,948	145,412	83,432	1,639	23,465
8 DB, Single Employer, Trust Only VL	741	39,699	11,124	18,283	510	9,781
9 DB, Fully Insured L	29	213	19	125	4	65
10 DB, Fully Insured VL	1	29	2	13	0	13
11 DC, Multiemployer, Split Funded L	265	3,897	1,906	1,235	0	755
12 DC, Multiemployer, Split Funded VL	24	1,084	367	342	0	374
13 DC, Single Employer, Split Funded L	16,810	353,177	203,286	112,069	0	37,823
14 DC, Single Employer, Split Funded VL	428	19,427	5,673	8,104	0	5,650
15 DC, Multiemployer, Trust Only L	874	13,504	5,828	5,185	0	2,491
16 DC, Multiemployer, Trust Only VL	53	2,398	711	860	0	827
17 DC, Single Employer, Trust Only L	28,237	584,725	332,941	188,250	0	63,533
18 DC, Single Employer, Trust Only VL	796	34,868	9,289	15,072	0	10,507
19 DC, Fully Insured L	493	3,286	390	1,787	0	1,109
20 DC, Fully Insured VL	1	27	2	12	0	13
21 Welfare, Multiemployer, Split Funded L	1,641	15,033	14,457	576	0	0
22 Welfare, Multiemployer, Split Funded VL	173	3,111	2,928	183	0	0
23 Welfare, Single Employer, Split Funded L	24,090	461,080	452,624	8,457	0	0
24 Welfare, Single Employer, Split Funded VL	1,249	30,946	29,627	1,319	0	0
25 Welfare, Multiemployer, Trust Only L	2,700	22,011	21,063	948	0	0
26 Welfare, Multiemployer, Trust Only VL	292	4,735	4,426	308	0	0
27 Welfare, Single Employer, Trust Only L	16,638	305,986	300,146	5,841	0	0
28 Welfare, Single Employer, Trust Only VL	1,445	29,799	28,273	1,526	0	0
29 Welfare, Fully Insured L	39,462	62,972	49,119	13,853	0	0
30 Welfare, Fully Insured VL	1,785	7,093	5,208	1,885	0	0

TABLE IV.2 (continued)

	Volume	Total Hours	Total DOL Hours	Total IRS Hours	Total PBGC Hours	Total SSA Hours
<u>Form 5500 C-Small Plans</u>						
31 DB, Split Funded	7,018	24,514	6,607	17,031	424	452
32 DB, Trust Only	20,635	66,188	13,493	50,118	1,247	1,330
33 DB, Fully Insured	636	1,918	570	1,269	38	41
34 DC, Split Funded	59,675	174,024	57,981	112,196	0	3,847
35 DC, Trust Only	196,822	519,079	136,341	370,048	0	12,690
36 DC, Fully Insured	901	2,190	842	1,290	0	58
37 Welfare, Split Funded	4,057	6,379	5,296	1,083	0	0
38 Welfare, Trust Only	8,243	10,209	8,008	2,201	0	0
<u>Form 5500 R-Small Plans</u>						
39 DB, Split Funded	8,045	14,029	6,066	7,064	381	519
40 DB, Trust Only	17,947	26,758	8,993	15,758	849	1,157
41 DB, Fully Insured	194	291	148	121	9	13
42 DC, Split Funded	83,677	100,111	63,351	31,365	0	5,395
43 DC, Trust Only	245,497	222,677	114,828	92,021	0	15,828
44 DC, Fully Insured	1,061	1,013	820	124	0	68
45 Welfare, Split Funded	2,074	2,341	1,802	540	0	0
46 Welfare, Trust Only	5,327	4,258	2,871	1,387	0	0
<u>Form 5500EZ</u>						
47 DB, 5500EZ	22,967	15,104	0	15,104	0	0
48 DC, 5500EZ	211,393	51,352	0	51,352	0	0
49 Pure Fringe	135,000	0	0	0	0	0
Totals	1,186,069	3,648,966	2,131,261	1,291,458	6,173	220,074

TABLE IV.3

TOTAL SERVICE PROVIDER DOLLAR BURDEN BY PLAN TYPE AND AGENCY

	Volume	Total Dollars	Total DOL Dollars	Total IRS Dollars	Total PBGC Dollars	Total SSA Hours
<u>Form 5500 - Large Plans</u>						
1 DB, Multiemployer, Split Funded L	423	\$1,409,190	\$653,105	\$673,154	\$25,827	\$57,105
2 DB, Multiemployer, Split Funded VL	85	\$813,438	\$215,985	\$500,328	\$20,624	\$76,500
3 DB, Single Employer, Split Funded L	4,129	\$29,669,287	\$21,184,591	\$7,565,475	\$361,806	\$557,415
4 DB, Single Employer, Split Funded VL	345	\$4,267,520	\$975,207	\$2,845,441	\$136,373	\$310,500
5 DB, Multiemployer, Trust Only L	1,082	\$3,164,015	\$1,291,545	\$1,654,400	\$71,999	\$146,070
6 DB, Multiemployer, Trust Only VL	180	\$1,619,129	\$351,738	\$1,061,216	\$44,174	\$162,000
7 DB, Single Employer, Trust Only L	10,429	\$72,196,171	\$51,161,233	\$18,733,084	\$893,939	\$1,407,915
8 DB, Single Employer, Trust Only VL	741	\$8,482,568	\$1,832,895	\$5,869,338	\$280,160	\$500,175
9 DB, Fully Insured L	29	\$63,376	\$7,669	\$49,249	\$2,544	\$3,915
10 DB, Fully Insured VL	1	\$9,331	\$285	\$7,976	\$395	\$675
11 DC, Multiemployer, Split Funded L	265	\$694,822	\$451,086	\$207,961	\$0	\$35,775
12 DC, Multiemployer, Split Funded VL	24	\$150,837	\$88,727	\$40,510	\$0	\$21,600
13 DC, Single Employer, Split Funded L	16,810	\$77,684,313	\$68,021,283	\$7,393,680	\$0	\$2,269,350
14 DC, Single Employer, Split Funded VL	428	\$2,593,363	\$1,799,006	\$505,457	\$0	\$288,900
15 DC, Multiemployer, Trust Only L	874	\$1,832,732	\$1,112,166	\$602,576	\$0	\$117,990
16 DC, Multiemployer, Trust Only VL	53	\$233,838	\$104,470	\$81,669	\$0	\$47,700
17 DC, Single Employer, Trust Only L	28,237	\$122,567,382	\$106,335,676	\$12,419,711	\$0	\$3,811,995
18 DC, Single Employer, Trust Only VL	796	\$3,667,714	\$2,190,304	\$940,110	\$0	\$537,300
19 DC, Fully Insured L	493	\$375,740	\$165,905	\$143,280	\$0	\$66,555
20 DC, Fully Insured VL	1	\$1,872	\$297	\$900	\$0	\$675
21 Welfare, Multiemployer, Split Funded L	1,641	\$3,695,663	\$3,635,928	\$59,736	\$0	\$0
22 Welfare, Multiemployer, Split Funded VL	173	\$619,940	\$609,027	\$10,913	\$0	\$0
23 Welfare, Single Employer, Split Funded L	24,090	\$81,410,584	\$80,533,662	\$876,922	\$0	\$0
24 Welfare, Single Employer, Split Funded VL	1,249	\$6,372,431	\$6,293,641	\$78,791	\$0	\$0
25 Welfare, Multiemployer, Trust Only L	2,700	\$3,795,727	\$3,697,442	\$98,285	\$0	\$0
26 Welfare, Multiemployer, Trust Only VL	292	\$616,406	\$597,986	\$18,420	\$0	\$0
27 Welfare, Single Employer, Trust Only L	16,638	\$46,167,452	\$45,561,797	\$605,655	\$0	\$0
28 Welfare, Single Employer, Trust Only VL	1,445	\$3,281,891	\$3,190,736	\$91,155	\$0	\$0
29 Welfare, Fully Insured L	39,462	\$29,699,617	\$28,263,124	\$1,436,492	\$0	\$0
30 Welfare, Fully Insured VL	1,785	\$3,447,940	\$3,335,336	\$112,603	\$0	\$0
<u>Form 5500 C-Small Plans</u>						
31 DB, Split Funded	7,018	\$7,208,911	\$2,561,390	\$4,417,812	\$210,317	\$19,392
32 DB, Trust Only	20,635	\$16,859,457	\$3,197,587	\$12,986,458	\$618,394	\$57,018
33 DB, Fully Insured	636	\$502,602	\$137,130	\$344,655	\$19,060	\$1,757
34 DC, Split Funded	59,675	\$35,287,291	\$21,913,986	\$13,208,414	\$0	\$164,892
35 DC, Trust Only	196,822	\$75,215,307	\$31,107,042	\$43,564,414	\$0	\$543,851
36 DC, Fully Insured	901	\$334,008	\$212,004	\$119,514	\$0	\$2,490
37 Welfare, Split Funded	4,057	\$2,940,640	\$2,858,556	\$82,084	\$0	\$0
38 Welfare, Trust Only	8,243	\$2,100,881	\$1,934,103	\$166,778	\$0	\$0

Table IV.3 (continued)

	Volume	Total Dollars	Total DOL Dollars	Total IRS Dollars	Total PBGC Dollars	Total SSA Hours
<u>Form 5500 R-Small Plans</u>						
39 DB, Split Funded	8,045	\$7,080,604	\$2,638,871	\$4,206,701	\$212,802	\$22,230
40 DB, Trust Only	17,947	\$11,724,399	\$1,815,664	\$9,384,420	\$474,725	\$49,590
41 DB, Fully Insured	194	\$137,499	\$42,685	\$89,146	\$5,132	\$536
42 DC, Split Funded	83,677	\$37,774,438	\$27,147,605	\$10,395,619	\$0	\$231,213
43 DC, Trust Only	245,497	\$57,548,941	\$26,371,252	\$30,499,341	\$0	\$678,348
44 DC, Fully Insured	1,061	\$299,570	\$234,336	\$62,302	\$0	\$2,932
45 Welfare, Split Funded	2,074	\$1,310,703	\$1,273,913	\$36,790	\$0	\$0
46 Welfare, Trust Only	5,327	\$893,942	\$799,448	\$94,494	\$0	\$0
<u>Form 5500EZ</u>						
47 DB, 5500EZ	22,967	\$11,097,113	\$0	\$11,097,113	\$0	\$0
48 DC, 5500EZ	211,393	\$26,768,405	\$0	\$26,768,405	\$0	\$0
49 Pure Fringe	135,000	\$69,103,125	\$0	\$69,103,125	\$0	\$0
Totals	1,186,069	\$874,792,122	\$557,907,422	\$301,312,071	\$3,378,271	\$12,194,358

internal consistency and accuracy of the data, and more burdensome filing requirements. At one extreme, reflecting the lowest cost is an environment where the service provider located in a relatively low cost region of the country, who keeps all the records in a highly automated system and services plans with very similar characteristics. At the other extreme is a situation where as many as four service providers are involved (accountant, actuary, bank, and insurance company), all located in a relatively high-cost region of the county, and who keep no systematic records of participants. Respondents reported that reconciling the accountant's report with the Schedule A data and the sponsor's records was very time-consuming, especially if the work was done with great care to resolve inconsistencies. When the various pieces of the filing are not checked for internal consistency, costs are lower.

Three of the highest-cost types of data are plan identification data (which includes participant counts), plan qualification data, and Schedule SSA data for very large plans. Sponsor records for vested and nonvested participants are often hard to assemble. Accounting firms reported that getting participant data from foreign multinationals to comply with the coverage testing provisions is burdensome, because the foreign company would not understand why the records of the entire company are required. Many respondents reported that the research for Schedule SSA for very large plans was time-consuming because they had to identify each vested participant who separated during the plan year and was not subsequently paid out and not previously reported.

A. FINDINGS BY DATA TYPE

This section presents our findings for each type of data filed.

1. Plan Identification

Respondents reported that collecting the information on participants (number vested, partially vested, and so forth) is difficult. For small plans that filed previously, these items are not a significant burden. For new plans or very large plans with record keeping systems not designed to accommodate the 5500, these items may be time-consuming. One service provider reported that it was easier and more accurate to send someone to the sponsor's site to collect the data than to train the sponsor on how to collect the information.

2. Plan Operations

These items were not reported as difficult or burdensome by any respondents.

3. Fiduciary Items

These items were completed in conjunction with the audit for audited plans and were not otherwise viewed as burdensome.

4. Plan Qualification/Tax Related Items

This is one of the most burdensome components of the 5500 filing, because it requires coverage testing (item 7 on the form). Testing is considered most burdensome for very large corporations, especially those with foreign ownership or a large number of employees in foreign countries, because the IRS requires data on all employees of a controlled group or corporations.

5. Minimum Funding Items

Minimum funding items apply to defined benefit plans. Under rare circumstances, they can apply to defined contribution plans. They normally are provided by the actuary as part of the actuarial services and are thus not normally completed by the filer (whether the filer is a service

provider or a sponsor) unless the filer is the actuarial firm. Thus, it is logical to expect low reported figures for sponsor hours and for dollars when service providers file. Sometimes respondents broke out the actuarial fees between this item and Schedule B, and sometimes they were all allocated to Schedule B. For the purposes of estimating total IRS burden, this breakout is irrelevant. Because the allocation was done inconsistently, it may be prudent to use the burden from this estimate and Schedule B together.

6. 5500 Financial Schedules

A key issue concerning 5500 Financial Schedules is whether all plan assets are invested in a Direct Filing Entity (DFE) such as a master trust. In this case, the financial reporting is greatly simplified. There is a lot of overlap between these items and the audit itself, and with the information provided by the trustee or custodian (bank, mutual fund company, or other record keeper). When the record keeper does the filing, it may be straightforward. When the record keeper does not do the filing, respondents reported that it was not straightforward to derive the financial data from the accountant's report or from bank statements.

7. 5500C Financial Schedules

These schedules are more limited than 5500 financial schedules, as reflected in burden estimates made by respondents.

8. 5500R Financial Schedules

The 5500R requires very limited financial data. Some respondents reported less burden for the 5500R financials than for the 5500C financials, and some reported no difference.

9. Audits and Accountants' Reports

Plan audits by Independent Qualified Public Accountants are required for plans with more than 100 participants which maintain plan assets. Fees for performing plan audits vary widely. Respondents reported fees ranging from \$3,000 to \$30,000 per plan. Large plans obviously involve higher fees. Fees also vary by geographical location and type of accounting firm. Very large accounting firms tend to charge higher fees, but also serve larger plan sponsors. Fees tended to be higher in the Northeast than the Midwest. Chapter III discusses issues regarding the inclusion of these costs and their allocation in the analysis.

10. Schedule A

Schedule A includes insurance information for both large and small plans. One Schedule A must be filed for each insurance contract utilized by the employee benefit plan. The number of Schedules A filed per plan varies widely. For 5500 C and R filers with insurance, the average number of Schedule As per filing varies only from 1 to 1.6 based on the type of plan. For very large 5500 filers with insurance, however, there are almost 10 Schedule As per filing for some plan types.

Schedule A information is always provided by an insurance company, either to the sponsor or to another service provider or directly to the government, when the insurance company itself prepares the entire filing. Sponsors and service providers other than insurance companies that prepare filings consistently have noted that obtaining the Schedule A is sometimes time-consuming, involving calls to the insurance company and lengthy delays. More fastidious sponsors and service providers also noted that Schedule A data often were incorrect (wrong plan year, data inconsistent with the financial data) and that it was time-consuming to correct the error(s). Validation of the Schedule A data, however, probably is done inconsistently.

Insurance companies reported varying marginal costs for generating the schedules. They reported that Schedules A for welfare plans are twice as costly as pension plans because most of the Schedule A data would not be generated as a normal business practice.

11. Schedule B

Schedule B is required of any defined benefit pension plan that is subject to minimum funding standards. A plan may file only one Schedule B, and it must be signed by an enrolled actuary. The schedule describes the actuarial assumptions used to determine costs for the plan and includes a facsimile of the funding standard account showing that the plan is maintaining the level of funding necessary to meet the minimum funding standards. The Schedule B is five pages long, but an average of three pages usually are filed due to differences in filing requirements. For this reason, our estimates of burden for multiemployers were lower than for single employers. Our instruction to respondents was to use their best judgment about the related burden that should be attributable to the reporting requirements and not to normal plan operations.

12. Schedule C

Part I of Schedule C includes service provider information for plans filing Form 5500 which maintain a trust and paid \$5,000 or more in compensation to a service provider. The sponsor or service provider responsible for completing the form must collect the service provider's name, EIN, fees and the nature of the service provided. Respondents reported that collecting the EIN of the service providers is particularly difficult.

Part II of Schedule C contains the names and trustee fees paid to plan trustees. Plans that terminated the appointment of one or more service providers must complete Schedule C, Part III. About 70 percent of 5500s file a Schedule C.

13. Schedule E

Schedule E is a two-page document that must be filed by any pension plan offering an employee stock ownership plan (ESOP) or leveraged ESOP. Only one schedule may be attached to a filing. There are very few ESOP filings, and we received only a few estimates of their costs.

14. Schedule F

Schedule F is a one-page document that must be filed for any welfare plan offering fringe benefits, including educational assistance plans and cafeteria plans. Only one schedule will be attached to each filing. The vast majority of filings that have a Schedule F attached (approximately 80 percent) are fringe-benefit-only plans for which this schedule is the major filing component. Schedule F also is required for approximately 20 percent of welfare plans. We have therefore included Schedule F burden estimates for every fringe benefit plan and for 20 percent of welfare plans. Schedule F, required by the IRS, involves calculations that involve participating employees.

Numerous respondents reported that Schedule F is time-consuming to complete, especially for large plans, because of the participant and cost information required.

15. Schedule G

Schedule G is required for any 5500 filing with plan assets. Its purpose is to report assets held for investment purposes, 5 percent transactions, loans or fixed-income obligations in default or uncollectible, any leases in default or uncollectible, and/or any nonexempt transactions with a party-in-interest. There are very few plans with uncollectible loans or leases, so these items represent little burden. Respondents agreed that the schedule of assets held for investment purposes is not a large burden, but that the schedule of 5 percent transactions is. We were not able to obtain good estimates of the software costs involved by financial institutions to generate this information,

although several references were made to this item as a significant burden, especially for 401K plans with multiple money managers.

16. Schedule P

Schedule P is a one-page document that must be filed by the trustee(s) and/or custodian(s) of a pension benefit plan to start the statute of limitations for the trust. Multiple Schedule Ps may be filed with a plan filing. Banks reported some record keeping burden for each Schedule P to conduct mail outs to sponsors.

17. Schedule SSA

Schedule SSA must be filed by any plan that has separated participants with deferred vested benefits. The schedule lists separated participants and benefit information. Multiple Schedule SSAs may be filed with each plan filing. For very large plans, the record keeping needed to complete this schedule can be very burdensome. The filer first has to identify each vested participant who was terminated during the plan year, then determine if the participant was subsequently paid out and ensure that the participant was not previously reported. When no automated system is in place to record this information, considerable burden is involved.

V. METHODOLOGY FOR ESTIMATING THE BURDEN FOR THE 1999 FORMS

This chapter presents the methodology used to estimate the filing burden for the 1999 forms. First, we discuss key issues and assumptions of this phase of the study. We then present the data collection and analysis methodologies.

A. OVERALL APPROACH AND KEY ISSUES

Rather than repeating the baseline study for the 1999 forms, we calculated the change in burden from the 1997 form. We isolated specific changes to generalized from expert input the overall change for all participants in the filing process. The baseline analysis was more comprehensive in capturing all burden components in four categories, but the net change analysis for the 1999 forms looks at each change factor and generalizes the impact across the four groups by generating a single overall change expressed in hours.

In the study of the change in burden, we isolated specific changes and applied them directly to the total hourly burden incurred by all four groups combined, rather than indirectly by attempting to adjust the individual burden for each group for each data type. This approach makes the analysis much more efficient because the changes are small relative to the total burden. This overall change is then applied proportionally to the four groups to derive a 1999 burden estimate for each of the four groups.

This section describes the issues we confronted in estimating changes in the annual Form 5500 filing burden, and the decisions that were made to resolve them to create the basic assumptions that underlie the study.

1. Estimates Obtained from Both Sponsors and Service Providers

For the first phase of this study, 1997 burden hours were estimated in dollars for service providers and hours for plan sponsors. The total of the two measures constituted the total burden.¹ For this second phase of the study, the change in burden from 1997 to 1999 was estimated at the total burden level, and the estimates for service providers and plan sponsors was based on that total as well as the 1997 proportions of each.

From the respondents who participated in the baseline study, several were selected who fell into just two of the four original respondent categories. We selected respondents that fell either into group A (burden incurred by service providers when service providers prepare the filing) or group C (burden incurred by sponsors when sponsors prepare the filing). Measuring a change in burden for group B was assumed to be unnecessary because the audit requirement present on the current form has not changed on the 1999 form. Group C is a “self-contained” group in that, apart from some allocation of burden to group B (which, as mentioned above, did not experience a change in burden from the baseline to the 1999 Form), the burden incurred by this group does not involve burden incurrence by other groups. The respondent pool was limited to sophisticated service providers and sponsors so that, for example, service providers in group A could comment on the change in burden that would be experienced by sponsors in phase one’s group D.

¹ For the purpose of simplifying the illustration of changes in burden, the costs reported for the 1997 baseline have been converted to hours at a rate of \$75 per hour. This rate, which was supplied by DOL, is based on average labor hour rates for lawyers, accountants, budget analysts, and financial managers from the 1998 Employment Cost Index and the 1997 Occupational Employment Statistics Survey (Bureau of Labor Statistics), adjusted for estimated overhead and profit margin.

In addition, we were able to build on the final baseline burden estimate which converted burden dollars into burden hours. The final phase one spreadsheets, which were used in developing the baseline unit costs in hours by data and plan type and the baseline burden total, were used as the basis for calculations of change in burden in this phase. It was then straightforward to convert dollar estimates of change in burden provided by group A respondents into hour estimates by using the \$75 per hour rate.

2. Estimates Developed for Each Filing Component

Burden was estimated for 17 data types in the baseline study, and change in burden has been estimated for 12 data types. The difference is due to the fact that only 12 of the original 17 data types experienced a change in burden evidenced by additions and/or deletions of line items within the data type. These categories are: plan identification; plan operations; fiduciary; plan qualification; minimum funding; financial schedules for Forms 5500, 5500C and 5500R; and Schedules A, B, C, and G.² Financial schedules for the current Forms 5500, 5500C and 5500R are represented by Schedules H and I on the 1999 form. To preserve the integrity of the comparison in burdens, Schedule I is classified as two data types in the current phase of the study; one compares directly to the current Form 5500C, and one compares directly to the current Form 5500R.

To develop change in burden estimates at the plan level, responses were analyzed to derive an average of the data-level change applicable to specific plan types. The spreadsheets used in estimating the change in burden between the current and the 1999 Form 5500 contain black-out sections or zeros where data types and plan types do not intersect. This prevents data type level estimates from being calculated for plan types that do not actually include that data type.

²Schedule D is included in plan identification.

3. Collecting and Using Aggregate Data on Time and Dollars

As discussed earlier, only respondents from groups A and C were chosen as respondents for this second phase of the study. In addition, only respondents who previously had been able to provide data type level information were chosen for the 1999 Form 5500 analysis. With one exception, all respondents in the second phase of the study again were able to provide data type level analysis. For the exception case, the respondent was a service provider who provides a package of services for a fixed price, inclusive of preparing the Form 5500, determined by plan size. For this reason, the service provider was unable to provide detailed information. However, that service provider did indicate that no measurable change in burden appeared to result from the changes made between the current Form 5500 and the 1999 form.

B. DATA COLLECTION METHODOLOGY

1. Study Plan

As in the baseline study, the data collection methodology consists of in-depth interviews of service providers and sponsors in lieu of a large-scale data-gathering effort. It was determined that in-depth interviews and flexible data collection instruments that are more qualitative would produce useful burden estimates without the cost and additional burden to the public that would be required by large-scale data collection.

The respondent pool that contributed data in the baseline phase of the study was used in the second phase as well. The baseline respondent pool contained the types and numbers of service providers and sponsors representative of all filers, as recommended by the expert panel that was convened during the first phase. The phase two respondent pool was selected as a subset of the baseline pool, using the following basic criteria:

- ▼ The respondent has a sophisticated knowledge of Form 5500 filing and was able to provide a full and detailed response during phase one (for example, information at the data type level).
- ▼ The respondent represents either a service provider who prepares Form 5500 filings or a sponsor who prepares its own Form 5500 filing.
- ▼ The respondent represents a significant number of plans filed, so that its responses can be viewed as representative of the filing population as a whole.
 - ▼ The respondent pool as a whole represents as many plan types as possible, so that its responses can be viewed as representative of the filing population as a whole.

Because each of the phase two respondents had already participated in the study, initial contact with each one was made at the beginning of the fielding period. It was not necessary to have expert panel members place the initial calls to the contacts, as was done during the first phase of the study.

2. Development of Questionnaire

Each phase two respondent was sent a self-administered questionnaire to capture the net change in burden for each data type and the reasons supporting the estimated net change. The same questionnaire was used for service providers and sponsors, with separate response fields provided for each. Respondent packages consisted of a personalized cover letter, 12 data collection tables, a separate data collection sheet regarding the estimated cost of an audit for a plan with fewer than 100 participants that does not hold all its assets in a regulated financial institution, and a copy of the 1999 and 1997 Forms 5500 annotated to indicate the items that belonged to each of the data types included in the questionnaire. The cover letter explained the purpose of the study, that it was sanctioned by OMB, and that respondents should include only estimates of burden directly attributable to the 5500 filing requirement, not normal and customary business practices or other federal data collection activities.

The data collection tables covered the following data types:

- ▼ Plan Identification/1999 Form 5500³
- ▼ Plan Operations/1999 Form 5500
- ▼ Fiduciary/1999 Schedule H
- ▼ Plan Qualification and Tax-Related Information/1999 Schedule T
- ▼ Minimum Funding/1999 Schedule R
- ▼ Financial Schedules/1999 Schedule H (compared to 1997 Form 5500)
- ▼ Financial Schedules/1999 Schedule I (compared to 1997 Form 5500C)
- ▼ Financial Schedules/1999 Schedule I (compared to 1997 Form 5500R)
- ▼ Schedule A
- ▼ Schedule B
- ▼ Schedule C
 - ▼ Schedule G

MPR used an element level comparison of the Plan Year 1997 and Plan Year 1999 5500 Series Forms as the basis for the phase two data collection instrument.⁴ The comparison was reviewed and refined, to accurately capture each and every addition and deletion of line items between the current form and the 1999 Form. The comparison also was formatted so that the additions to a data type on the 1999 Form were side by side with the deletions from the 1997 Form. There is no more than one data type per page. Although burden was estimated for 17 data types in the baseline study, the

³This includes Schedule D.

⁴This comparison was included in Appendix E of the September 29, 1998 draft report entitled “Draft Estimates of the Burden for Filing Form 5500.”

change in burden has been estimated for only 12 data types in this phase of the study. The difference is due to the fact that only 12 of the original 17 data types experienced a change in burden evidenced by additions and/or deletions of line items within the data type. As in the baseline study, data type breakouts are essential to allocate burden between agencies; the burden by data type either varies little by plan type or it varies predictably, thus enabling us to make estimates by plan type.

The format of the data collection instrument facilitates a visual comparison of the quantity of line items added and the quantity deleted. Respondents were instructed in the cover letter to evaluate each added line item and each deleted line item as either trivial or substantive, in terms of the burden that would be newly incurred or eliminated. Each data type section on the data collection instrument also includes fields for the respondent to indicate the net change in burden for the combination of added and deleted items, and to comment as to why there would be a positive, negative, or null impact on the respondent's current filing burden.

Appendix D contains additional information about the respondent packages, as well as copies of the cover letter, data collection instrument, and annotated forms provided to respondents.

3. Fielding Period

Respondent packages were mailed to 14 selected phase one service provider and sponsor respondents. Calls were then made to the recipients, informing them that a follow-up questionnaire had been sent and requesting their continued assistance in the study. Respondents were referred to the 1999 Form 5500 instructions; the instructions were sent to respondents when requested.

Some respondents contacted MPR to seek clarification or to ask questions. In other cases, MPR contacted the respondent upon receipt of the questionnaire if there were unanswered questions or suspect data. The majority of respondents fell into one of these two categories, such that there was direct discussion of the data collection instrument with almost every respondent.

C. ANALYSIS METHODOLOGY

This section describes the numerous stages involved in analyzing the data to produce the estimates of percentage change in burden between the 1997 and 1999 Forms. One hundred forty-four observations were obtained from respondents, all of which were provided by data type.⁵ The first step was to convert to hours all observations of change in burden that were provided in dollars, using the figure of \$75 per hour.⁶ This step was necessary so that there would be a single unit of measurement--hours--with which to calculate a percentage change. In this phase of the study, we built on the baseline burden spreadsheets from phase one, which were used in developing baseline unit costs in hours by data and plan type. These phase one spreadsheets had combined hourly and dollar estimates to calculate the total baseline burden of 16.4 million hours annually.

All observations were then sorted by data type, and mapped to general plan type categories such as defined benefit multiemployer or defined benefit single employer, based on the type(s) of filing(s) attributable to the service provider or sponsor respondent. An average net change in burden was derived for plan types within that data type, based on the respondent observations. The average net

⁵An additional observation was received from a respondent who replied that at the aggregate level there was no change in burden, which made it unnecessary to prorate the response across data types.

⁶For the purpose of simplifying the illustration of changes in burden, the costs reported for 1997 baseline have been converted to hours at a rate of \$75 per hour. This rate, which supplied by DOL, is based on average labor hour rates for lawyers, accountants, budget analysts, and financial managers from the 1998 Employment Cost Index and 1997 Occupational Employment Statistics Survey (Bureau of Labor Statistics) as adjusted for estimated overhead and profit margin.

change in burden for the data type was then entered into the appropriate plan type categories in the spreadsheet.

For Schedules A and C,⁷ the derived averages were inflated or deflated by a proportion derived by dividing the number of schedules filed by the number of filings for plan types that could file that schedule. In cases where data types did not pertain to a particular plan type, data were not presented.

A share of the burden change attributable to each government agency (DOL, IRS, PBGC and SSA) was then calculated by multiplying the agency percentage figure⁸ by the derived average change in burden for each data type and plan type (inflated or deflated, as discussed above). The data from each plan type were added to produce the change in total hours. The aggregate change in burden for all filings was then calculated by multiplying the change per filing by plan type volume.

The volumes of plan types processed for plan year 1995 were used to create the plan volume estimates. In phase one, the volumes were multiplied by a weighted factor based on the respondent group (A through D) to prevent double-counting burden. In this phase, the potential for this kind of double-counting could be avoided up front by focusing on the two groups discussed previously-- service providers preparing filings (group A) and sponsors preparing their own filings (group C). Therefore, in phase two, 100 percent of the volume for each plan type is used as the starting point for calculating the aggregate change in burden.

The derived burden change for each data type represents the average unit cost change in hours by plan and data type. It should be noted that these burden unit costs do not incorporate the inflator and deflators already discussed, because the unit burden costs represent the average cost for filing

⁷Schedules E and F also required inflation factors under phase one, but were not changed on the 1999 Form and therefore were not analyzed in phase two.

⁸Appendix F contains the proportional allocation to agencies by plan type and data type.

one schedule. For example, the unit cost for a Schedule A is the cost of filing one Schedule A, even though the inflator indicates that the typical filer submits more than one Schedule A. Similarly, the unit cost as a Schedule E is the cost of filing one Schedule E, even though the deflator indicates that filers, on average, submit fewer than one Schedule E. Every filer submits one Form 5500, so that unit cost is in fact the cost incurred by the typical filer. In addition, the average unit cost change figures do not include null values, that is, where there is no burden for a plan and data type.

The next step in the analysis was to match the 1997 baseline unit costs to the change in unit costs resulting from the 1999 Form 5500 changes, to obtain a percentage change in burden between the two forms. The “Average Burden Hours by Data and Plan Type” spreadsheet from the phase one study was used as the starting point for the comparison. Columns were added for the 1999 Form burden change and for the percentage change calculated by dividing the 1999 change in burden by the baseline burden. These total changes in burden were then divided up among groups A, B, C, and D in proportion to the 1997 spread. Based on these inputs, a new burden model for 1999 (otherwise identical to the 1997 model) was created. The 1997, 1999, and change in burden models all can be found in Appendix E.

VI. FINDINGS OF CHANGE IN BURDEN ESTIMATION

The analysis of the change in burden from the 1997 5500 series to the 1999 5500 series showed an overall decrease in burden of 1,227,860 hours or 8.02%. A slightly larger decrease was attributed to the Department of Labor, whose burden decreased 8.93%. The IRS burden decreased by 6.97% and the PBGC burden decreased by 6.33%. The SSA burden was unchanged. Table VI.1 summarizes the change in burden for each agency. The remainder of this chapter discusses the change in burden for each type of data filed.

A. GENERAL SUMMARY

Table VI.1 details the overall figures for the reduction in burden from the 1997 5500 Series forms and schedules to the 1999 5500 Series forms and schedules.

TABLE VI.1

SUMMARY OF FINDINGS

Agency	1997 Form Baseline Burden Hours	1999 Form Increase/(Decrease) (in Hours)	Percentage Increase/(Decrease) (in Hours)	New 1999 Baseline Burden Hours
DOL Burden Hours	9,570,026	(854,384)	(8.93%)	8,715,643
IRS Burden Hours	5,308,953	(370,232)	(6.97%)	4,938,720
PBGC Burden Hours	51,217	(3,244)	(6.33%)	47,973
SSA Burden Hours	382,665	0	0.00%	382,665
Total Burden Hours	15,312,861	(1,227,860)	(8.02%)	14,085,001

B. SPECIFIC FINDINGS BY DATA TYPES

The burden hour changes to each specific data type (if any) are detailed in the following sections.

1. Plan Identification

Changes in the form for plan year 1999 reduce the reporting burden for large plans and increase the burden for small plans. There are nine participant count items on the 1999 Form which must be completed by all filers.

The major changes in the form identification area include a reduced level of detail in participant counts, for very large and large pension plans filing the Form 5500, through deletion of items which captured the number of participants vested in three categories. For large plans participating in direct filing entities, there is also a very slight increase in the detail of reporting for a small number of plans. Previously, the DFE was identified in the ID section and the amount of the investment in all DFEs within one of the four DFE types was recorded on Item 31. In the 1999 Schedule D, each DFE the plan invests in is identified as well as the amount of the specific investment.

In the baseline study, there was a considerable burden assigned to participant counts because of the extensive record keeping and the work involved by service providers to obtain the information from sponsors when the sponsor maintained the participant data. For this reason, the reduced level of detail required by the 1999 form constitutes a significant reduction, especially for large plans. We have estimated that the decrease in burden resulting from the deletion of the vested counts for large plans ranges from 1.5 hours for very large plans to 0.6 hours for large plans.

For 5500C filers there is virtually no change in burden. There is slightly more detail on DFEs and on participant counts. For 5500R filers, there is more information on participant counts and DFEs.

TABLE VI.2

SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR PLAN IDENTIFICATION LINE ITEMS BY FILER TYPE

Filer Type	1997 Participant Count Line Items	1999 Participant Count Line Items	1997 DFE	1999 DFE	1997 Burden Hours	1999 Burden Hours	Change in Burden Hours
5500 Pension Very Large	11	8	Names, Assets by Type	Names, Assets by DFE	5.3	3.3	-2.0
5500 Pension Large	11	8	Names, Assets by Type	Names, Assets by DFE	2.0	1.3	-0.7
5500 Welfare	4	4	NA	NA	1.5	1.5	0.0
5500C	4	8	Names, Assets by Type	Names, Assets by DFE	1.0	1.15	0.15
5500R	3	8	Type of DFE Only	Names, Assets by DFE	0.6	0.8	0.2

2. Plan Operations

Most of the items pertaining to amendments, terminations, mergers and consolidations were deleted. In general, respondents thought that the deleted items had not constituted a significant burden, especially for prototype plans. The burden for a given plan would vary from year to year depending on the level of termination and merger activity. These items are more often applicable to pension plans than to welfare plans. The burden for multiemployer plans was further reduced by the elimination of the labor management number reporting requirement. Respondents for very large plans reported more significant burden reductions. Several respondents commented that the reduced detail on amendments was a welcome change.

One issue could not be resolved. Some respondents said that keeping track of the increased number of schedules which could be attached and completing the indicators for each schedule on the 1999 form would be a burden. Other respondents said that the indicators would be completed automatically by the form preparation software and were helpful to keep track of the filing components. It was determined that at least some of the currently available software did not automatically record the number of schedules in the indicators on the current form. An assumption was made that the large increase in schedule attached indicators would make it likely that the forms preparation software would automatically fill them in. It was noted by one respondent that recording an incorrect number of schedules would result in a letter from the IRS.

TABLE VI.3

SUMMARY OF CHANGES IN BURDEN FROM
1997 TO 1999 FOR PLAN OPERATIONS
LINE ITEMS BY FILER TYPES

Filer Type	1997 Burden Hours	1999 Burden Hours	Change in Burden Hours
Very Large Single Employer Pension	2	1	-1
Very Large Single Employer Welfare	1.25	.5	-.75
Large Single Employer Pension	1	.5	-.5
Large Single Employer Welfare	.6	.3	-.3
Multiemployer Pension	2.25	1	-1.25
Multiemployer Welfare	1.5	.5	-1
5500C Pension	.6	.2	-.4
5500C Welfare	.3	.1	-.2
5500R Pension	.4	.2	-.2
5500R Welfare	.2	.1	-.1

3. Fiduciary Items

There were three levels of detail captured in the fiduciary section of the 1997 5500 forms, which must be completed by all plans which maintain a trust. In general, the number of items were reduced for each type of fiduciary data with the exception of adding the name and EIN of the accounting firm. Respondents noted that eliminating the name of the surety company would reduce burden and that the deleted items were not very informative. Most respondents determined that there was no change in burden. The other respondents agreed that there was a decrease in burden. The reduction in burden is not great, because most of the answers to the deleted items came directly from the accountant's report for large plans and because the third party appraisal information was rarely used.

The largest concern was the new requirement to track untimely contributions from employers, which might involve increased coordination with auditors. The Table VI.4 describes the relationship between the items on the three versions of the 1997 form and the two versions of the 1999 form; Table VI.5 shows the baseline burden estimates and the change in burden estimated for the 1999 forms for each of the three types of 1997 filers.

TABLE VI.4

SUMMARY OF CHANGES IN FIDUCIARY ITEMS
FROM 1997 TO 1999 BY FORM TYPE

Data Required	1997 5500 Fiduciary Line Items	1999 (Schedule H)	1997 5500C	1997 5500R	1999 (Schedule I)
Fiduciary Compliance Items	10	8	13	13	9
Fidelity Bond Items	2	1	2	2	1
Third party appraisals of Assets Items	5	2	5	2	2
Accountants Opinion Items	4 items	Deleted 2 items and Added Name and EIN of Accountant	NA	NA	NA
Schedule C Tracking Items	5 items	Deleted	NA	NA	NA

TABLE VI.5

SUMMARY OF CHANGES IN BURDEN FROM
1997 TO 1999 FOR FIDUCIARY ITEMS

All plan types are funded by a Trust or a
Combination of a Trust and Insurance

Filer Type	1997 Burden Hrs	1999 Burden Hrs	Change in Burden Hours
Very Large Single Employer Pension	1.9	1.5	-.4
Very Large Single Employer Welfare	1.6	1.2	-.4
Large Single Employer Pension	.9	.7	-.2
Large Single Employer Welfare	.8	.6	-.2
Multiemployer Pension	1.5	1.2 ¹	-.3
Multiemployer Welfare	1.2	.8	-.4
5500C Pension	.5	.4	-.3
5500 C Welfare	.4	.2	-.2
5500R Pension	.4	.3	-.1
5500R Welfare	.3	.2	-.1

¹The 1.2 hours for Multi-employer Pensions in 1999 is an average of the average burden hours for DB Plans (1.3) and DC Plans (1.2).

4. Plan Qualification/Tax Related

The burden of testing to meet the IRS plan qualification requirements is driven largely by the number of participants and the complexity of the employer's operation. Baseline 1997 estimates for very large plans (approximately 20 hours per year) were over three times higher than for large plans and 10 times higher than small plans filing a 5500C. 5500R filers did not report this information.

As discussed in the baseline burden estimate report, there are numerous complications in estimating the burden for these items. There is no clear means of allocating the burden across IRS forms which all relate to plan qualification, including the 5300 and the 1120 in addition to the 5500. Baseline estimates were based on the judgement of service providers and filers about the proportion of the total burden which should be attributed to the 5500.

Other complications arise in estimating the change in burden for plan year 1999 for filing the new Schedule T. With the elimination of the 5500R form, small plan filers may not necessarily gain relief from reporting these data every third year. Small filers must now report these data every year unless the filer is using the three-year testing cycle rule in Revenue Procedure 93-42. Conversely, large filers may avoid reporting the information every year using the same rule. There is no means of estimating whether there will be any increase or reduction in burden resulting from this change. This report therefore assumes that the same proportion of small plan filers who filed a 5500R will not file a Schedule T and that all relevant 5500 and 5500C filers will file a Schedule T.

The IRS took several steps to reduce the burden for reporting items pertaining to coverage testing to maintain qualified plan status:

- ▼ Employers participating in multiple employer plans no longer have to file a 5500C to report these items. Instead a separate Schedule T is filed for each participating employer. A significant change is that the employer is not required to sign the Schedule T.

- ▼ Plans which cover all non-excludable and non-highly-compensated employees are afforded relief from completing all of the items on the schedule by checking box 3d.

Respondents reported that there are no changes in the burden of the underlying activities reported in this section of the form. Most concluded that the burden was unchanged. The remaining respondents reported a decrease in burden. Some respondents commented favorably on the revised format, saying that it was much easier to follow and that the instructions were much clearer. IRS data indicate that 250,000 filers will no longer be required to perform the testing or to complete all of the parts of Item 4 of Schedule T.

There was disagreement about the impact of the IRS changes on the burden. Because the 5500C filing requirement for employers only involved completion of item 21, it was not considered significant by some service providers. The lack of a signature requirement, however, obviously reduces the burden to some degree.

There was also disagreement about how many plans would be able to check item 3d, because terminatees during the plan year would no longer be covered.

We estimated that burden would be reduced by 3 hours for very large plans, 1.5 hours for large plans and 0.6 hours for small plans which file Form 5500C.

TABLE VI.6

SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR PLAN QUALIFICATION/TAX RELATED

Filer Type	1997 Burden Hours	1999 Burden Hours	Change in Burden Hours
5500 Pension	20	17	-3
Very Large 5500 Pension	6	4.5	-1.5
Large 5500C Pension	2	1.4	-.6

5. Minimum Funding

These items were identical on the 5500 and 5500C forms and appeared in a reduced version on the 5500R. These items now appear on the Schedule R, to which the IRS has added new reporting items to capture the name and EIN of Payors and the number of participants receiving a single sum distribution. That new information is being counted in this category for comparative purposes. Respondents felt that there was a net increase in burden resulting from the new items.

The IRS reduced the number of funding items, but respondents did not think that these reductions constituted a significant burden decrease and were more than offset by the addition of the payor and single sum distribution items. Some respondents reported that the deleted items were very confusing and that the date of the last payment by the employer and whether the plan distributed annuity contracts constituted a meaningful burden because they required employer contact. Most respondents, however, reported that the items were merely copied from the previous year's filing. We estimate an increase in burden of a quarter of an hour for every pension plan to complete the payor and single sum distribution items for all pension plans.

TABLE VI.7

SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999
FOR MINIMUM FUNDING

Filer Type	1997 Burden Hours	1999 Burden Hours	Change in Burden Hours
Very large defined benefit plans,	1	1.2	1.2
Large defined benefit plans	.6	.8	.2
Defined benefit plans filing form 5500C	.4	.6	.2
Defined benefit plans filing form 5500R	.2	.4	.2

6. 5500 Financial Items

The balance sheet and income and expense statement have been moved to the new Schedule H from the 5500 form with 20 fewer data items than the 1997 version. Some of the deleted items were calculated totals and do not represent a reduction in reporting detail. Respondents generally commented that the layout and selection of items was improved and that the deleted items were neither valuable nor time consuming. Most respondents reported a net reduction in burden, and the remainder were split between no change and an increase in burden.

Almost all of the discussion pertained to the new items on corrective and deemed distributions. Respondents were sharply divided as to whether these items constituted an increase or decrease in burden. Some respondents found these items to be “wonderful changes,” and that they constituted a “huge relief” from the “considerable confusion” which prevailed because the previous form was not clear about how to report these items. Because of the growth of 401k plans, corrective distributions (resulting from adjustments necessitated by coverage testing) are more common.

Respondents had to choose between reporting such adjustments as benefit payments or an adjustment to contributions. The new items would thus reduce the burden of having to discuss where to report these events.

Other respondents seemed intimidated by the new items because they were less familiar with them and assigned an increased burden based on their perception that they represented a risk of the unknown. Some respondents also mentioned that there was more detail required in depreciation, which would not allow them to back into the reported number.

The overall findings indicated a small reduction in burden. This reduction would not apply to plans whose assets were invested in Direct Filing Entities.

TABLE VI.8

SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999
FOR 5500 FINANCIAL ITEMS

Filer type	1997 Burden Hours	1999 Burden Hours	Change in Burden Hours
Very Large Multiemployer Pension	24	20	-4
Large Multiemployer Pension	12	10.5	-.5
Very Large Single Employer Pension	20	17	-.3
Large Single Employer Pension	8	6.5	-1.5
Very Large Multiemployer Welfare	16	14	-2
Large Multiemployer Welfare	8	6.5	-1.5
Very Large Single Employer Welfare	12	10.5	-1.5
Large Single Employer Welfare	6	5	-1

7. 5500C Financial Data

Small plans will file their Plan Year 1999 financial data on Schedule I. Relative to the 5500C, the amount of information required on Schedule I is reduced by a net of 12 items. The balance sheet has been reduced to total assets and liabilities. There are two fewer lines on the income and expense statement. The Schedule I, however, adds lines for reporting of seven specific types of investments.

Some respondents commented that the new reporting items were much more relevant to the government than the prior elements. Some respondents were concerned about corrective and deemed distributions as discussed in Section 6. Respondents were split on the net change in burden with no change being the most common estimate followed closely by a net reduction and a net increase. All agreed that there was little burden associated with the deleted items because the information was available from trust statements.

TABLE VI.9

SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999
FOR 5500C FINANCIAL DATA

Filer type	1997 Burden Hours	1999 Burden Hours	Change in Burden Hours
5500C Pension	3	2.5	-.5
5500C Welfare	2.5	2	-.5

8. 5500R Financial Data

Small plan filers who would have filed a 5500R will now file their financial data on Schedule I. There is an increase in burden because of the addition of 17 items. Respondents did not feel that there was a significant burden associated with the added items, because it is rare for plans to invest in the specific investment types that have been added and the additional reporting of income and expenses was not difficult. As with the 5500 and 5500C financial data, some respondents believed that the corrective and deemed distributions represented a potential burden.

TABLE VI.10

SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999
FOR 5500R FINANCIAL DATA

Filer Type	1997 Burden Hours	1999 Burden Hours	Change in Burden Hours
5500R Pension	2	2.5	.5
5500R Welfare	1.5	2	.5

9. Audits

There are no changes to the audit requirement as part of the 1999 5500 changes.

10. Schedule A

The Department of Labor has added a net of 7 items to the Schedule A, including assets invested in the insurance company's general account and detail on the types of allocated and unallocated contracts. Also added is the EIN of the insurance company and the NAIC code. Respondents in general felt that the new items would add a burden on them to contact the insurance company more frequently to obtain the additional information. One insurance company could not provide an estimate of additional costs, most of which would involve one time systems programming, because of year 2000 programming burden. They speculated that the work would be performed manually until the programming was complete. The other insurance company estimated a very minimal increase in costs to generate Schedule A information.

Most respondents estimated increases in burden ranging from 5 minutes to one half hour. Several felt that there would be no measurable increase. We estimate an overall increase, including insurance company burden after programming is complete of half an hour per Schedule A.

TABLE VI.11

SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999
FOR SCHEDULE A

Filer Type	1997 Burden Hours	1999 Burden Hours	Change in Burden Hours
Pension Plans	2.5	2.8	.3
Welfare Plans	4.3	4.5	.2

11. Schedule B

The IRS added two elements to Schedule B. No respondent estimated that the items would increase the burden.

12. Schedule C

The Department of Labor eliminated the requirement to report trustee names and fees. They also limited the reporting of service providers to the 40 most highly compensated and restricted the information required on terminated service providers to accountants and actuaries.

In general, respondents felt that the reduction in reporting requirements would not have a large impact.

No respondent reported that tracking of trustees was a problem, including the very large multiemployer plans in the sample. The limiting of service providers to 40 only affects very large multiemployer plans, but one noted that in order to determine the top 40, they would still be required to compile the entire list and sort it to determine which providers to report.

The majority of respondents estimated reductions in burden ranging from 5 minutes to 2 hours per plan. Several respondents said there would be no change in burden.

We have estimated that burden will be reduced by 2 hours for very large multiemployers, one hour for large multiemployers and very large single employers and .4 hours for all large single employer plans.

TABLE VI.12
SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999
FOR SCHEDULE C

Filer Type	1997 Burden Hours	1999 Burden Hours	Change in Burden Hours
Very Large Multiemployer	14	12	-2
Large Multiemployer	10	9	-1
Very Large Single Employer	8	7	-1
Large Single Employer	2	1.6	-.4

13. Schedule E

There was no change to the Schedule.

14. Schedule F

There was no change to the Schedule.

15. Schedule G, Including Detailed Financial Statements

Schedule G comprises several different financial reports, some of which are very limited and some of which can be very large. The use of the actual Schedule G was optional in 1997. For 1999, the limited financial reports are required to be filed on the Schedule G and the large financial reports are still required, but are not required to be filed on the formal schedule.

The only significant substantive reporting change is that participant directed investments are no longer required to be included on Schedules of Reportable Transactions. Moreover, cost data for such investments is not required to be filed for the Schedule of Assets Held for Investment Purposes.

These modifications to the detailed investment reporting requirements should provide considerable record keeping relief to the banking and mutual fund industry. This burden is frequently articulated by the financial industry. We have reduced the burden associated with Schedule G by 8 hours for very large single employer defined contribution plans and by 3 hours for large single employer defined contribution plans to reflect this change.

TABLE VI.13

SUMMARY OF CHANGES IN BURDEN FROM 1997 TO 1999 FOR SCHEDULE G,
INCLUDING DETAILED FINANCIAL STATEMENTS

Filer Type	1997 Burden Hours	1999 Burden Hours	Change in Burden Hours
Very Large Multiemployer	14	14	0
Large Multiemployer	8	8	0
Very Large Single Employer	28	20	-8
Large Single Employer	18	15	-3

16. Schedule P

There was no change to the schedule.

17. Schedule SSA

There was no change to the schedule.

18. Direct Filing Entities (DFEs)

DFEs are financial entities which represent pooled employee benefit plan assets. Prior to plan year 1999, DFEs filed directly with the Department of Labor or submitted attachments to plan

filings to the IRS. No DFE was required to file a Form 5500. Therefore, the burden for DFE filing is being added to the 1999 burden. There are four types of DFEs.

- ▼ Master Trust Investment Accounts (MTIAs), which are separate accounts within a Master Trust established by a sponsor of a corporation or controlled group of corporations. Each Master Trust Investment Account must file a separate 5500. Prior to plan year 1999, MTIAs were required to file separate financial and plan participation statements within required Master Trust filings to DOL.
- ▼ Common and Collective Trusts (CCTs), which are pooled investment vehicles sponsored by banks. Each CCT must file a Form 5500 beginning in plan year 1999 or the CCT's participating plans must break out the underlying assets of the plan.
- ▼ Pooled Separate Accounts (PSAs) which are pooled investment vehicles sponsored by insurance companies. Each PSA must file a 5500 beginning in Plan Year 1999 or the CCT's participating plans must break out the underlying assets of the plan.
- ▼ 103-12 Investment Entities, which are pooled investment vehicles sponsored by brokerages.

We used DFE filing volumes for plan year 1994, to estimate the burden. We inflated the figures because of the increased incentive for CCTs and PSAs to file and for Master Trusts to file a separate 5500 for each MTIA.

C. ANALYSIS OF BURDEN IN TERMS OF 1999 FORMS

The burden estimates for 1997 and 1999 presented so far in this chapter were expressed in terms of the 1997 data elements. This section presents those same estimates expressed in terms of the 1999 forms and schedules. To present the estimates in this form, the 1997 data elements had to be mapped to the appropriate 1999 form. Table VI.14 depicts the mapping scheme. Table VI.15

provides the 1999 aggregate burden for each form. Table VI.16 provides the 1997 aggregate burden for each form.

TABLE VI.14

MAPPING OF 1997 DATA ELEMENTS TO 1999 FORMS

1997 Data Element	1999 Form
1. Plan Identification	5500
2. Plan Operations	75% to 5500, 25% to Schedules H or I
3. Fiduciary	Schedules H or I (depending on plan size)
4. Plan Qualification	Schedule T
5. Minimum Funding	Schedule R
6. 5500 Financial Schedules	Schedule H
7. 5500C Financial	Schedule I
8. 5500R Financial	Schedule I
9. Audit/Accountant's	Audit/Accountant's Opinion
10. Schedule A	Schedule A
11. Schedule B	Schedule B
12. Schedule C	Schedule C
13. Schedule E	Schedule E
14. Schedule F	Schedule F
15. Schedule G	Schedule G
16. Schedule P	Schedule P
17. Schedule SSA	Schedule SSA

APPENDIX A

**MINUTES OF ERISA REPORTING
EXPERT PANEL MEETING,
JUNE 9, 1998**

MPR convened a panel of ERISA experts on June 9, 1998 to solicit comments on the methodology for estimating burden. The panel discussed the following issues.

1. Statement of the Problem: The Paperwork Reduction Act

MPR briefly discussed the two existing methods used by DOL and IRS and proposed adopting the Department of Labor approach, which developed burden estimates for each component of the 5500 and multiplied the estimates by the number of plans which filed each type. MPR proposed to conduct interviews with approximately 20 respondents to develop the estimates, with about half representing plan sponsors and half representing service providers. It would be too expensive and burdensome to conduct a statistically valid survey and the data collected would be impressionistic regardless.

Service provider burden would be measured in dollars and sponsor burden would be measured in hours. The final outcome would thus represent sponsor and service provider burden separately, with the total of the two measures (hours and dollars) constituting the total burden. The panel was asked to recommend a strategy for selecting the types of plans and service providers which should be represented?

MPR then presented the basic problem of developing the estimates: how do we define the burden that should be included given the Paperwork Reduction Act definition of burden. MPR distributed the PRA definition of burden, which simply put meant that our estimates should include all marginal hours and dollars spent to comply with the 5500 reporting requirements of ERISA and not include related activities that respondents would define as “normal and customary” business practices.

2. It is very difficult to distinguish 5500 burden from other ERISA-related burdens and normal and customary business activities

One issue was distinguishing the burden associated with ERISA as a whole from the burden specifically associated with the 5500 filing requirement, because the agencies include in their burden estimates the burden associated with other ERISA information collection activities besides the 5500.

Distinguishing 5500 burden from overall ERISA burden seemed easier to define for the purposes of estimating the burden of the Department of Labor, because Sections 103 and 110 of Title I of ERISA clearly describe the 5500 reporting requirements which could be distinguished from other ERISA requirements. For example, the plan audit requirement was in Section 103 and should thus be included in the 5500 burden and not in another information collection activity burden. It was not as clear how to do this for the IRS, because there was no language in Title II that specifically listed activities required for the 5500. MPR noted that it would meet with IRS officials to clarify which activities required by the IRC should be attributed to 5500 burden and which were covered under other information collection burdens maintained by IRS. The two most significant burdens under question were the actuarial valuation for defined benefit plans and the nondiscrimination testing provisions.

It was agreed that drawing such distinctions would be extremely difficult and that records were not kept to enable precise answers and that the respondents would have to exercise judgment in providing their estimates. Every one agreed that these judgements, even if imprecise, would be much more informed than the current methodologies which did not use sponsors' and practitioners' judgements about 5500s. (The IRS used practitioners' estimates, but not about 5500s and the DOL developed estimates specifically for 5500 data but did not seek practitioner input).

3. Most of the burden of the 5500 is undertaken by service providers

It was noted that the audit must be outsourced by definition and that Schedule B is almost always completed by service providers. The panel asked whether the dollar burden reported by service providers should be converted to hours and vice versa and whether cost and efficiency differences in service providers based on scale and region needed to be factored in. MPR replied that such differences were important, but that hopefully the respondents would be diverse enough to compensate for this.

The panel agreed that 90% of 5500 filings were completed by service providers because of the complexity of the reporting requirements. This implied that the final burden calculations would mostly represent dollars and not hours. They agreed that it was still very important to develop estimates of the hours of burden incurred by sponsors in support of the filing activity even though they outsourced the filing itself. It was also important to try to collect data from sponsors who undertook the filing burden themselves, even though they would be very difficult to find because the methodology was reliant on using service providers to identify sponsors willing to provide information, and by definition these sponsors used service providers for filing. There was also no way to use the 5500 data files to identify sponsors who completed the filing themselves.

4. It is difficult for service providers to estimate costs associated with 5500 filing because these costs are included in bundled services

In addition to the problem of being able to distinguish 5500 burden from other ERISA-related burdens and normal and customary business practices, the panel advised that many service providers did not track or bill for activities specifically related to the 5500. Service providers often offered "bundled" services for which the 5500 was just one part of the service and was "thrown" in as part of the overall arrangement. The panel agreed that we would just ask service providers to estimate the costs that they incurred in meeting the reporting requirements for the 5500 as best they could and that the specific billings would be misleading in terms of the actual burden incurred.

5. We should establish the baseline for 1997 burden before we begin to estimate the change in burden for the 1999 form

The panel commented that it may be difficult for respondents to comment on the burden of completing the 1999 form until they had filed it.

6. The proposed plan type breakouts do not reflect how costs really differ among plans, but they may represent the only practical approach

The panel agreed that the approach the plan adopted to managing assets was more important in determining costs of 5500 compliance than the modified DOL approach as proposed by MPR which broke out plan types only by the combinations of trust and insurance. It was proposed that there were 4 categories of plans:

- 1) Self trustee
- 2) Non-discretionary trustee
- 3) Independent custodian
- 4) Discretionary trustee

Some trustees provide “turn key” services and sometimes there is no one named as trustee.

It was also proposed that there was a distinction between 401k and profit sharing plans.

Another panel member said that the increasing number of participant directed accounts was a more important determinant of costs than the 401k and profit sharing distinction. It was noted that costs of accumulating financial data for the 5500 were increased by participant directed accounts which were split among many fund managers.

The existing methodology was tentatively maintained because there were no data on the form to indicate the type of trusteeship or custodianship, so such breakouts were not meaningful. Also, the number of plan types using the 401k, profit sharing and participant directed breakout approaches would be prohibitive for the initial data collection effort. Service providers would be asked if they could provide different cost estimates based on these types.

7. We should make a distinction between large and very large plans

There was some initial disagreement whether the methodology should distinguish between large and very large plans. It was eventually agreed that we should make a distinction between plans with 5,000 or 10,000 participants (very large) and those with less. It was noted that very large plans were more likely to have a benefits department in-house.

8. The methodology should collect data from at least 10 service providers and 10 sponsors

Types of Plans to Interview and Designated Contact Person. There was a consensus that there should be 20 respondents, evenly divided between sponsors and service providers as follows:

Type of Plan	Characteristics
Sponsor	Multi-employer: DB, DC, Welfare
Sponsor	2 Very Large Single Emp. (DB, DC, Welfare)
Sponsor	2 Large Single Emp. (DB, DC, Welfare)
Sponsor	3 Small (1 DB, 2 DC)
Sponsor	EZ
Service Provider	2 Banks (DC, DB, MT)
Service Provider	2 Insurance
Service Provider	2 Actuarial
Service Provider	1 Accounting
Service Provider	2 Mutual Funds
Service Provider	2 TPAs

9. The proposed survey questions for service providers should be simplified

It was agreed that sponsors who outsource the data collection would not be able to respond to detailed questions and should only be asked about the total time they devote to 5500-related activities each year. Some large service providers would be able to pull information from their computer systems which could break out costs by type of data and others might be willing to provide estimates.

It was agreed that the questions for service providers would be simplified to only distinguish between record keeping and filing activities, since the issue of one-time costs for new filers to learn about the form was not relevant for service providers. It was assumed that service providers learning costs were amortized across many filings.

Service providers should first be asked about the types of plans they service, including whether they provide record keeping and/or filing services. By profiling the types of service provided, it will be easier to focus the remaining questions on burden. Some service providers will only do filings but not record keeping and some will do only record keeping (especially banks and mutual fund companies) and some will do both.

10. Questions for sponsors should be very simple

Sponsors should just be asked how much time they spend providing information to their service providers or reviewing the filing.

It was noted that there was significant record keeping involved in multi-employer plans, because of the need to collect information from many employers.

11. Review of burden issues associated with data types

The panel discussed issues involved with estimating burden for each type of data to be analyzed.

1. Financial Data

It was noted that the banking industry maintains that the 5500 reporting requirements for assets, liabilities, income and expenses required more detailed and burdensome record keeping and reporting than banks would normally do. Form 5500 requirements are the equivalent of trust accounting, which is not industry practice. Banks would not keep detailed breakouts of income and expenses associated with different asset classes, just the net income for the trust as a whole.

2. Schedule A

For every Schedule A there is a service provider.

If there is life insurance it is difficult to get the Schedule A.

3. Schedule B

All the numbers on the Schedule B were already calculated for another purpose, so there should not be a significant reporting burden.

4. Schedule F

Cafeteria plans (flexible spending accounts) -- they have to know most of this anyway.

5. Schedule of Assets

Plans have to know this anyway and thus it is not much of a burden.

6. Schedule P

This schedule only requires a signature.

7. Schedule SSA

This schedule is a huge burden The burden is keeping track of people for no other reason except just to report. Have to keep old SSAs to make sure that people are only reported on one.

8. Plan Audits

It was agreed that the burden of all plan audits should be not be attributed to the 5500, because some fiduciaries would insist on audits even without the reporting requirement. It was agreed that some plans for publicly traded sponsors would have to have audits for the SEC.

12. Schedule of Respondent Recruitment

The panel divided up the sample and agreed to make calls as soon as possible to find willing respondents and report them to MPR to begin the data collection.

APPENDIX B
INSTRUMENTS FOR BASELINE STUDY

Respondents to our burden survey were classified into four groups, and each group of respondents was sent a customized data collection package. The four groups of respondents are: service providers, sponsors, service providers also collecting data from sponsors who outsource the preparation of their 5500 series filing, and sponsors collecting data from service providers. This approach enabled MPR to collect data from a broad range of respondents in terms of total plans filed each year.

A set of survey instruments was developed for respondents which included the following items:

- ▼ **Cover letter** explaining the project, our request for data, and statements regarding confidentiality and the approximate amount of time required for the respondent to provide data
- ▼ **Table A:** data collection instrument listing the types of 5500 filings so that respondents can indicate the number of each type for which they file and/or maintain records
- ▼ **Table B:** data collection instrument listing the types of data on the 5500 so that respondents can indicate the costs to complete each data type
 - ▼ **Annotated 1997 Form 5500/C/R** indicating which item numbers on the main forms belong to each type of 5500 data. A description of each data type is provided in Appendix C.

The cover letter and Tables A and B were customized for the sponsor respondents and the service provider respondents. Some respondents received the following in addition to or instead of Tables A and B:

- ▼ **Table C:** data collection instrument listing pertinent information so that sponsor respondents who outsource the 5500 filing effort can indicate the burden they continue to incur
- ▼ **Table D:** data collection instrument listing the types of 5500 filings so that service provider respondents can indicate the number of each type for which they file and/or maintain records and the annual costs per plan. This is an expanded version of Table A.

In addition, service providers were sent the annotated 1997 Form 5500 and 5500 C/R while sponsors only received the annotated Form 5500.

Table B.1 details the contents of each customized data collection package by respondent type. Following the chart is a copy of each package.

TABLE B.1
DATA COLLECTION PACKAGES BY RESPONDENT TYPE

Respondent Type	Package
1. Service Provider	a) Cover letter b) Table A Types of 5500 Filings Serviced c) Table B Estimated Costs of Record Keeping and Filing Types of Data d) Annotated 1997 Form 5500 e) Annotated 1997 Form 5500 C/R
2. Sponsor	a) Cover letter b) Table A Types of 5500 Filings Serviced c) Table B Estimated Hours and Costs of Record Keeping and Filing Types of Data d) Annotated 1997 Form 5500
3. Service Providers also collecting data from Sponsors who outsource the 5500 filing	a) Cover letter b) Table A Types of 5500 Filings Serviced c) Table B Estimated Costs of Record Keeping and Filing Types of Data d) Annotated 1997 Form 5500 e) Annotated 1997 Form 5500 C/R f) Table C Estimated Burden Hours for Sponsors Who Outsource the 5500 Filing Effort

Respondent Type	Package
4. Sponsors collecting data from Service Providers	a) Cover Letter b) Table D Approximate number of each type of plan that is supported and the annual cost of record keeping and filing for each plan

SERVICE PROVIDER PACKAGE

William S. Borden
Senior Fellow

609-275-2321

October 6, 2005

[Name]
[Title]
[Address]

Dear [Name]:

It was a pleasure speaking with you recently. Thank you for considering providing us with information regarding the Form 5500 filing burden. We ask for the information described in these materials so that the Department of Labor, Pension and Welfare Benefits Administration, the Internal Revenue Service, and the Pension Benefit Guaranty Corporation may develop reasonable and objectively supported estimates of the hour burdens and cost burdens imposed on filers of the Form 5500 Series. Your responses to survey questions about these burdens is voluntary.

We have estimated that approximately three to five hours will be required to complete the survey. Responses to the survey will be used to develop burden estimates which are reported to the Office of Management and Budget and made available to the public in accordance with the Paperwork Reduction Act. All of the information you provide will be kept confidential and will be used for statistical purposes only.

The Office of Management and Budget has approved this survey for Paperwork Reduction Act purposes under control number 1210-0109. You are not required to provide the information requested on a document that is subject to the Paperwork Reduction Act unless a valid OMB control number is displayed.

There are two brief sets of questions attached. I can collect the information over the phone or you can fax or mail the responses. If necessary, please use additional sheets to record your comments. The first set of questions (Table A) is a list of the types of 5500 filings. Please indicate the approximate number of each type for which you file and/or maintain records. The second set of questions (Table B) asks for cost estimates and comments for each type of 5500 data filed. (For your convenience, we have attached copies of the 5500 and the 5500C/R annotated to show which item numbers on the main forms belong to each type of 5500 data.) Please indicate the costs to complete

LETTER TO: [Name]
FROM: William S. Borden
DATE: October 6, 2005
PAGE: 2

the forms and provide record keeping services for a single annual filing for each type of data. For insurance data, indicate the cost in terms of each Schedule A (multiple Schedules A may be filed with a single 5500). Record NA (not applicable) if you do not keep records or complete the forms for any particular type of 5500 data.

For the purposes of estimating the burden imposed by the 5500 filing requirements, count only those costs for activities which would *not* be done as “normal and customary” in the absence of a 5500 filing requirement. Therefore, many record keeping costs should not be included in this study because considerable record keeping would be required to maintain a plan regardless of the 5500 filing requirements. Some record keeping activities, however, may be performed solely for the purpose of complying with 5500 reporting requirements and should be reported. All filing costs (activities required to complete and submit the form) should be included in your estimates. Please include any comments on factors that affect costs (e.g., plan size, type of plan) and how costs are affected. Where significant record keeping costs are caused by 5500 reporting requirements, explain briefly why these are not normal and customary activities. Also please list reasons why you would or would not file 5500s electronically (tape, disk or modem to modem) and what the government could do to encourage you to file electronically.

I will call to arrange a time to discuss any issues or questions you may have about the lists of plan types or data types as well as to conduct the interview over the phone if that is more convenient. Please call me at 609-275-2321 with any questions. Thank you for your participation in this study.

Sincerely,

William S. Borden

TABLE A
SERVICE PROVIDER SURVEY
TYPES OF 5500 FILINGS SERVICED
(Record Keeping or Filing may be for part of the 5500 Package)

No.	Description	Approximate Number Filed or Supported	
		Record Keeping	Filing
1	Single Employer Defined Benefit, Greater Than (GT) 10,000 participants		
2	Single Employer Defined Benefit 100 to 10,000 participants		
3	Single Employer Defined Benefit, Less Than (LT)100 participants (5500C or 5500R)		
4	Single Employer Defined Contribution, GT 10,000 participants		
5	Single Employer Defined Contribution, 100 to 10,000 participants		
6	Single Employer Defined Contribution, LT 100 participants (5500C or 5500R)		
7	Single Employer, Welfare, GT 100 participants		
8	Single Employer, Welfare, LT 100 participants		
9	5500 EZ		
10	Multiemployer Defined Benefit		
11	Multiemployer Defined Contribution		
12	Multiemployer Welfare		
13	Cafeteria Plan (Fringe Benefit Only)		
14	Master Trust Investment Account		
15	Common and Collective Trust		
16	Pooled Separate Account		

Conditions that would encourage you to file electronically:

Conditions that would discourage you from filing electronically:

TABLE B
SERVICE PROVIDER SURVEY
ESTIMATED COSTS OF RECORD KEEPING AND FILING TYPES OF DATA

No.	Type of 5500 Data	Record Keeping Costs	Filing Costs
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1 Plan Identification

Comments:

2 Plan Operations

Comments:

3 Fiduciary (Plans with Trust Only)

Comments:

4 Plan Qualification/Tax Related
(Pension Only)

Comments:

5 Minimum Funding (DB Only)

Comments:

6 5500 Financial Schedules
(Assets, Liabilities, Income,
Expenses)

Comments:

7 5500C Financial Schedules

Comments:

8 5500R Financial Schedules

Comments:

TABLE B
SERVICE PROVIDER SURVEY
ESTIMATED COSTS OF RECORD KEEPING AND FILING TYPES OF DATA

No.	Type of 5500 Data	Record Keeping Costs	Filing Costs
9	Audit, Accountant's Opinion (5500 with Trust only)		

Comments:

10	Schedule A (Estimate cost per schedule and not per plan)		
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Comments:

11	Schedule B		
----	------------	--	--

Comments:

12	Schedule C		
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Comments:

13	Schedule E (ESOP only)		
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Comments:

14	Schedule F (Fringe Benefit Plans)		
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Comments:

15	Schedule G		
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Comments:

16	Schedule P		
----	------------	--	--

Comments:

17	Schedule SSA		
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Comments:

SPONSOR FILER PACKAGE

William S. Borden
Senior Fellow

609-275-2321

September 8, 1998

[Name]
[Title]
[Address]

Dear [Name]:

It was a pleasure speaking with you recently. Thank you for considering providing us with information regarding the Form 5500 filing burden. We ask for the information described in these materials so that the Department of Labor, Pension and Welfare Benefits Administration, the Internal Revenue Service, and the Pension Benefit Guaranty Corporation may develop reasonable and objectively supported estimates of the hour burdens and cost burdens imposed on filers of the Form 5500 Series. Your responses to survey questions about these burdens is voluntary.

We have estimated that approximately three hours will be required to complete the survey. Responses to the survey will be used to develop burden estimates which are reported to the Office of Management and Budget and made available to the public in accordance with the Paperwork Reduction Act. All of the information you provide will be kept confidential and will be used for statistical purposes only.

The Office of Management and Budget has approved this survey for Paperwork Reduction Act purposes under control number 1210-0109. You are not required to provide the information requested on a document that is subject to the Paperwork Reduction Act unless a valid OMB control number is displayed.

There are two brief sets of questions attached. I can collect the information over the phone or you can fax or mail the responses. If necessary, please use additional sheets to record your comments. The first set of questions (Table A) is a list of the types of 5500 filings. Please indicate the approximate number of each type for which you file. The second set of questions (Table B) asks for burden estimates and comments for each type of 5500 data filed. (We have attached copies of the 5500 annotated to show which item numbers on the main forms belong to each type of 5500 data.) Please indicate the costs to complete the forms and provide record keeping services for a single annual filing for each type of data. Record NA (not applicable) if you do not file any particular type of 5500 data.

LETTER TO: [Name]
FROM: William S. Borden
DATE: August 30, 1998
PAGE: 2

For the purposes of estimating the burden imposed by the 5500 filing requirements, count only those costs for activities which would *not* be done as "normal and customary" in the absence of a 5500 filing requirement. Therefore, many record keeping costs should not be included in this study because considerable record keeping would be required to maintain a plan regardless of the 5500 filing requirements. Some record keeping activities, however, may be performed solely for the purpose of complying with 5500 reporting requirements and should be reported. All filing costs (activities required to complete and submit the form) should be included in your estimates. Please include any comments on factors that affect costs (e.g., plan size, type of plan) and how costs are affected. Where significant record keeping costs are caused by 5500 reporting requirements, explain briefly why these are not normal and customary activities. Also please list reasons why you would or would not file 5500s electronically (tape, disk or modem to modem) and what the government could do to encourage you to file electronically.

I will call to arrange a time to discuss any issues or questions you may have about the lists of plan types or data types as well as to conduct the interview over the phone if that is more convenient. Please call me at 609-275-2321 with any questions. Thank you for your participation in this study.

Sincerely,

William S. Borden

**TABLE A
SPONSOR SURVEY
TYPES OF 5500S FILED**

No.	Description	Approximate Number Filed
1	Single Employer Defined Benefit, Greater Than (GT) 10,000 participants	
2	Single Employer Defined Benefit 100 to 10,000 participants	
3	Single Employer Defined Benefit, Less Than (LT)100 participants (5500C or 5500R)	
4	Single Employer Defined Contribution, GT 10,000 participants	
5	Single Employer Defined Contribution, 100 to 10,000 participants	
6	Single Employer Defined Contribution, LT 100 participants (5500C or 5500R)	
7	Single Employer, Welfare, GT 100 participants	
8	Single Employer, Welfare, LT 100 participants	
9	5500 EZ	
10	Multiemployer Defined Benefit	
11	Multiemployer Defined Contribution	
12	Multiemployer Welfare	
13	Cafeteria Plan (Fringe Benefit Only)	

Conditions that would encourage you to file electronically:

Conditions that would discourage you from filing electronically:

**TABLE B
SPONSOR SURVEY
ESTIMATED HOURS AND COSTS OF RECORD KEEPING AND FILING TYPES OF DATA**

Record hours for activities undertaken by the sponsor, and record dollars for fees paid to service providers.

No.	Type of 5500 Data	Pension		Welfare	
		Record Keeping Hours	Dollars	Record Keeping Hours	Dollars
1	Plan Identification				
Comments:					
2	Plan Operations				
Comments:					
3	Fiduciary (Plans with Trust Only)				
Comments:					
4	Plan Qualification/Tax Related (Pension Only)				
Comments:					
5	Minimum Funding (DB Only)				
Comments:					

**TABLE B
SPONSOR SURVEY
ESTIMATED HOURS AND COSTS OF RECORD KEEPING AND FILING TYPES OF DATA**

Record hours for activities undertaken by the sponsor, and record dollars for fees paid to service providers.

No.	Type of 5500 Data	Pension		Welfare	
		Record Keeping Hours	Dollars	Record Keeping Hours	Dollars
6	5500 Financial Schedules (Assets, Liabilities, Income, Expenses)				
Comments:					
7	Audit, Accountant's Opinion (5500 with Trust only)				
Comments:					
8	Schedule A (Estimate cost per schedule and not per plan)				
Comments:					
9	Schedule B				
Comments:					
10	Schedule C				
Comments:					

**TABLE B
SPONSOR SURVEY
ESTIMATED HOURS AND COSTS OF RECORD KEEPING AND FILING TYPES OF DATA**

Record hours for activities undertaken by the sponsor, and record dollars for fees paid to service providers.

No.	Type of 5500 Data	Pension		Welfare	
		Record Keeping Hours	Dollars	Record Keeping Hours	Dollars
11	Schedule G				
Comments:					
12	Schedule P				
Comments:					
13	Schedule SSA				
Comments:					

SERVICE PROVIDERS COLLECTING DATA FROM SPONSORS

William S. Borden
Senior Fellow

609-275-2321

October 6, 2005

[Name]
[Title]
[Address]

Dear [Name]:

It was a pleasure speaking with you recently. Thank you for considering providing us with information regarding the Form 5500 filing burden. Enclosed are three data collection instruments.

- ▼ The first is to collect data on costs incurred by service providers.
- ▼ The second is to collect detailed information on hours incurred by sponsors who complete much of the work themselves.
- ▼ The third is for service providers to use to collect minimal information from client sponsors who outsource the bulk of the work.

[Your Company] itself could respond to the first set. Either you or I could forward the second set to a large sponsor which completes much of the work itself (or is so large that they can actually break out their hours by type of data even though they outsource much of the work). The third set is for you to use if you are talking to a client who is willing to provide limited information about their burden in providing information to you in support of your effort to complete their filings.

We ask for the information described in these materials so that the Department of Labor, Pension and Welfare Benefits Administration, the Internal Revenue Service, and the Pension Benefit Guaranty Corporation may develop reasonable and objectively supported estimates of the hour burdens and cost burdens imposed on filers of the Form 5500 Series. Your responses to survey questions about these burdens is voluntary.

LETTER TO: [Name]
FROM: William S. Borden
DATE: October 6, 2005
PAGE: 2

We have estimated that approximately three to five hours will be required to complete the survey for sponsors and service providers who do the filings themselves and 15 minutes would be required for service providers to complete the form for client sponsors. Responses to the survey will be used to develop burden estimates which are reported to the Office of Management and Budget and made available to the public in accordance with the Paperwork Reduction Act. All of the information you provide will be kept confidential and will be used for statistical purposes only.

The Office of Management and Budget has approved this survey for Paperwork Reduction Act purposes under control number 1210-0109. You are not required to provide the information requested on a document that is subject to the Paperwork Reduction Act unless a valid OMB control number is displayed.

I can collect the information over the phone or you can fax or mail the responses. If necessary, please use additional sheets to record your comments. The first set of questions (Table A) is a list of the types of 5500 filings. Please indicate the approximate number of each type for which you file and/or maintain records. The second set of questions (Table B) asks for cost estimates and comments for each type of 5500 data filed. (For your convenience, we have attached copies of the 5500 and the 5500C/R annotated to show which item numbers on the main forms belong to each type of 5500 data.) Please indicate the costs to complete the forms and provide record keeping services for a single annual filing for each type of data. For insurance data, indicate the cost in terms of each Schedule A (multiple Schedules A may be filed with a single 5500). Record NA (not applicable) if you do not keep records or complete the forms for any particular type of 5500 data.

For the purposes of estimating the burden imposed by the 5500 filing requirements, count only those costs for activities which would *not* be done as “normal and customary” in the absence of a 5500 filing requirement. Therefore, many record keeping costs should not be included in this study because considerable record keeping would be required to maintain a plan regardless of the 5500 filing requirements. Some record keeping activities, however, may be performed solely for the purpose of complying with 5500 reporting requirements and should be reported. All filing costs (activities required to complete and submit the form) should be included in your estimates. Please include any comments on factors that affect costs (e.g., plan size, type of plan) and how costs are affected. Where significant record keeping costs are caused by 5500 reporting requirements, explain briefly why these are not normal and customary activities. Also please list reasons why you would or would not file 5500s electronically (tape, disk or modem to modem) and what the government could do to encourage you to file electronically.

LETTER TO: [Name]
FROM: William S. Borden
DATE: October 6, 2005
PAGE: 3

I will call to arrange a time to discuss any issues or questions you may have about the lists of plan types or data types as well as to conduct the interview over the phone if that is more convenient. Please call me at 609-275-2321 with any questions. Thank you for your participation in this study.

Sincerely,

William S. Borden

**TABLE C
ESTIMATED BURDEN HOURS FOR SPONSORS WHO OUTSOURCE THE 5500 FILING EFFORT**

Ask sponsors how many hours they estimate that they spend per year on 5500 filing (providing information to service providers, reviewing and signing the 5500 form).

Sponsor Name	Number of Lives	Number of Pension Plans	Annual Hours Per Pension Plan	Number of Welfare Plans	Annual Hours Per Welfare Plan
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Comments:

Comments:

Comments:

Comments:

Comments:

**SPONSORS COLLECTING DATA FROM
SERVICE PROVIDERS**

William S. Borden
Senior Fellow

609-275-2321

October 6, 2005

[Name]
[Title]
[Address]

Dear [Name]:

It was a pleasure speaking with you recently. Thank you for considering providing us with information regarding the Form 5500 filing burden. Enclosed is a brief questionnaire to collect data on costs incurred by service providers in record keeping and filing for Form 5500.

We ask for the information described in these materials so that the Department of Labor, Pension and Welfare Benefits Administration, the Internal Revenue Service, and the Pension Benefit Guaranty Corporation may develop reasonable and objectively supported estimates of the hour burdens and cost burdens imposed on filers of the Form 5500 Series. Your responses to survey questions about these burdens is voluntary.

We have estimated that approximately one to three hours will be required to complete the survey. Responses to the survey will be used to develop burden estimates which are reported to the Office of Management and Budget and made available to the public in accordance with the Paperwork Reduction Act. All of the information you provide will be kept confidential and will be used for statistical purposes only.

The Office of Management and Budget has approved this survey for Paperwork Reduction Act purposes under control number 1210-0109. You are not required to provide the information requested on a document that is subject to the Paperwork Reduction Act unless a valid OMB control number is displayed.

I can collect the information over the phone or you can fax or mail the responses. If necessary, please use additional sheets to record your comments. Please indicate the approximate number of each type of plan for which you file and/or maintain records and the annual cost (these could be billings or internal costs). Record keeping refers to maintaining financial or other records through

LETTER TO: [Name]
FROM: William S. Borden
DATE: October 6, 2005
PAGE: 2

the plan year. Filing costs refer to actually completing and submitting the filing, including gathering the information from the record keeping systems.

For the purposes of estimating the burden imposed by the 5500 filing requirements, count only those costs for activities which would *not* be done as “normal and customary” in the absence of a 5500 filing requirement. Therefore, many record keeping costs should not be included in this study because considerable record keeping would be required to maintain a plan regardless of the 5500 filing requirements. Some record keeping activities, however, may be performed solely for the purpose of complying with 5500 reporting requirements and should be reported. All filing costs (activities required to complete and submit the form) should be included in your estimates. Please include any comments on factors that affect costs (e.g., plan size, type of plan) and how costs are affected. Where significant record keeping costs are caused by 5500 reporting requirements, explain briefly why these are not normal and customary activities. Also please list reasons why you would or would not file 5500s electronically (tape, disk or modem to modem) and what the government could do to encourage you to file electronically.

I will call to arrange a time to discuss any issues or questions you may have about the lists of plan types or data types as well as to conduct the interview over the phone if that is more convenient. Please call me at 609-275-2321 with any questions. Thank you for your participation in this study.

Sincerely,

William S. Borden

TABLE D
SERVICE PROVIDER SURVEY
TYPES OF 5500 FILINGS SERVICED
(Record Keeping or Filing may be for part of the 5500 Package)

No.	Description	Approximate Number for Which You Perform Record Keeping or Filing Services			
		Record Keeping		Filing	
		Number Supported	Annual Costs per Plan	Number Supported	Annual Costs per Plan
1	Single Employer Defined Benefit, Greater Than (GT) 10,000 participants				
2	Single Employer Defined Benefit 100 to 10,000 participants				
3	Single Employer Defined Benefit, Less Than (LT)100 participants (5500C or 5500R)				
4	Single Employer Defined Contribution, GT 10,000 participants				
5	Single Employer Defined Contribution, 100 to 10,000 participants				
6	Single Employer Defined Contribution, LT 100 participants (5500C or 5500R)				
7	Single Employer, Welfare, GT 100 participants				
8	Single Employer, Welfare, LT 100 participants				
9	5500 EZ				
10	Multi-employer Defined Benefit				
11	Multi-employer Defined Contribution				
12	Multi-employer Welfare				
13	Cafeteria Plan (Fringe Benefit Only)				
14	Master Trust Investment Account				
15	Common and Collective Trust				
16	Pooled Separate Account				

Conditions that would encourage you to file electronically:

Conditions that would discourage you from filing electronically:

ANNOTATED 1997 FORMS - 5500/C/R

APPENDIX C

BASELINE BURDEN ANALYSIS SPREADSHEETS

This appendix defines the data elements used in the spreadsheets contained within the body of the report. It also presents the burden calculations described in the report methodology. Tables C.1 and C.2 detail key definitions for data types and plan types respectively.

Table C.1 outlines the 17 data types which serve as the primary vehicle for apportioning the dollar and hourly burden costs associated with the Form 5500 series. For each data type the respective line items on the appropriate form are listed. All forms do not contain or require information for all 17 data types.

TABLE C.1
DATA TYPES BY FORM TYPE AND LINE ITEM

Data Type	Line Items			
	5500	5500C	5500R	5500EZ
Plan Identification	Boxes A - D Lines 1 - 7 Signatures and Dates	Boxes A - D Lines 1 - 7 Signatures and Dates	Boxes A - D Lines 1 - 7 Signatures and Dates	Boxes for type of filing and extension filed Lines 1 - 4 Signature and Date
Plan Operations	Lines 8 - 14, 25g, 28, 30	Lines 8 - 14, 25	Lines 8 - 11, 16	Line 6
Fiduciary	Lines 23, 25a - 25f, 26 - 27, 29, 33	Lines 23, 26	Line 15	Lines 9 - 11
Plan Qualifications	Lines 21 - 22, 24	Lines 21 - 22, 24		Line 5
Minimum Funding	Lines 15 - 20	Lines 15 - 20	Line 12	
5500 Financials	Lines 31 - 32			
5500C Financials		Lines 27 - 28		
5500R Financials			Lines 13 - 14	

Data Type	Line Items			
	5500	5500C	5500R	5500EZ
Accountant's Opinion	Audit Required if funded pension plan with assets			
Schedule A	All Lines if Required	All Lines if Required	All Lines if Required	
Schedule B	Variable Depending Upon the Attributes of the Plan			
Schedule C	Variable Depending Upon the Information Reported			
Schedule E	All Lines if Required	All Lines if Required	All Lines if Required	
Schedule F				
Schedule G				
Schedule P		All Lines if Required	All Lines if Required	All Lines if Required
Schedule SSA				
Aggregate Filing	Respondents which only provided a total burden figure for completing the Form 5500 for that plan			

There are 52 plan types covered in this analysis. Table C.2 below details the terms and abbreviations used for the plan types, the line items (and form types) included in determining that aspect of the plan type, and a general definition of what the term means.

TABLE C.2

DEFINITIONS OF PLAN TYPE TERMS

Plan Type Term	General Specification	Definition
DB	Defined Benefit Plan - Plans which enter a Pension Benefit Plan code of 1 on Line 6b of the primary filing (5500/C/R) or check Box 3a (5500EZ)	A plan that promises to pay a specified amount to a participant that retires after a set number of years of service
DC	Defined Contribution Plan - Plans which enter Pension Benefit Plan codes of 2 - 6 on Line 6b of the primary filing (5500/C/R) or check Boxes 3a - 3e (5500EZ)	A plan in which the employer agrees to contribute an amount to the pension account of each participant based upon an established formula
Welfare	Plans which enter Plan Numbers (PN) from 501 - 999 on Line 1b of the primary filing (5500/C/R)	<p>A plan which provides one or more of the following benefits:</p> <ul style="list-style-type: none"> - health insurance - life insurance - dental insurance - eye examinations
Fringe	Plans which complete only the first page of the primary filing, check Box 6d and attach a completed Schedule F	A plan that is either a cafeteria or educational assistance plan
PSA/CCT/Master Trust/103-12IE	Direct Filing Entities (DFEs) were verified against DOL's Research Database	Investment arrangements used by employee benefit plans which have filing requirements directly with DOL
Single Employer	Plans which enter Entity Codes A, B, or E on Line 4 of the primary filing (5500/C/R)	A plan maintained by either one employer or one employee organization

Plan Type Term	General Specification	Definition
Multiemployer	Plans which enter Entity Codes C or D on Line 4 of the primary filing (5500/C/R)	A plan which: 1) more than one employer is required to contribute, 2) that is maintained pursuant to one or more collective bargaining arrangements, and 3) has not made the election to file one return/report for each plan
Split Funded	Plans that have a Schedule A and dollars reported on the balance sheet or income and expense statement	A plan which is funded through both a trust and insurance contracts
Fully Insured	Plans that have a Schedule A and no dollars reported on the balance sheet or income and expense statement	A plan which is funded solely through insurance contracts
Trust Only	Plans that have dollars reported on the balance sheet or income and expense statement but do not have a Schedule A	A plan which is funded in a manner other than through insurance contracts
L		Large Plans containing from 100 - 10,000 participants
VL		Very Large Plans containing more than 10,000 participants

Summary results are contained within two spreadsheets: 1) volume share dollars data for groups A and B and 2) volume share hours data for groups C and D. The detailed results of our burden survey are contained within four sets of spreadsheets: 1) burden dollars incurred by service providers who prepare the filings (group A); 2) burden dollars incurred by actuaries and accountants when either a service provider or sponsor prepares the filing (group B); 3) burden hours incurred by sponsors when the sponsor prepares the filing (group C); and 4) burden hours incurred by sponsors when service providers prepare the filing (group D).

Each set spreads the burden hours or dollars for all plan types across the 17 data types. When a plan type and data type do not intersect, the appropriate cells on the spreadsheets are blacked out. Each set spreads the burden hours or dollars for all plan types across the 17 data types. When a plan type and data type do not intersect, the appropriate cells on the spreadsheets are blacked out. The burden hours or dollars are multiplied by a deflator value specific to each data type in order to arrive at a total value for each plan type and data type. Next, each agency (DOL, IRS, PBGC and SSA) is assigned a share of the total burden for that plan type and data type depending upon the nature of the information reported and the jurisdiction of the agency. The total value for each plan type and data type is then multiplied by the agency share of the total burden for that plan type and data type to arrive at an agency specific number for each plan type and data type. Finally, an agency burden value is derived by multiplying the estimated Plan Year 1995 volume for each plan type by the agency specific number for that data type and further deflating this sum by a volume share number for each group. This data is summarized for each set in a spreadsheet specific to each group entitled “Agency Distributions by Data Type and Plan Type.”

The second set of spreadsheets then takes the total average hours and dollars (across all data types) for each agency and multiplies that figure by the estimated Plan Year 1995 volume for each plan type. The volumes are split by the Volume Share % column depending on whether the sponsor or a service provider completed the filing, with the vast majority (90 percent) completed by service providers. Therefore the hours and dollars burden figures for service providers that complete the filings are weighted more heavily than the same figures for sponsors that complete the filings. These data are summarized for each set in a spreadsheet specific to each group entitled “Agency Volume Share Distributions by Plan Type.”

After total volume shares in both hours and dollars are calculated, a final set of spreadsheets derives the total average unit burden cost in hours by plan and data type. To do this the burden in dollars is converted to hours by using a rate of \$75 per hour. The total derived burden in hours is then divided by the volume of filings in each plan and data type, to derive average unit costs in hours by plan and data type. It should be noted that the unit costs in hours do not incorporate the inflator for Schedule A and deflators for Schedules C, E, F and SSA, because the unit cost is for that plan and data type for one filing, regardless of how many filings incur this cost. In addition, the average unit costs do not include null values, that is, where there is no burden for a plan and data type.

TABLES C.X - C.XX

APPENDIX D

INSTRUMENTS FOR CHANGE IN BURDEN STUDY

Respondents to phase two of our burden estimation study consisted of service providers who prepare filings for sponsors and sponsors who prepare their own filings. Each respondent was sent a data collection package which included the following items:

- ▼ **Cover letter** explaining the project, our request for data, and statements regarding confidentiality, OMB approval of the study, and the approximate time required for the respondent to provide data. The cover letter also provided instructions on how to complete the data collection tables.
- ▼ **Data Collection Tables:** 12 data type level tables based on an element level comparison of the Plan Year 1997 and Plan Year 1999 5500 Series Forms. The additions to a data type on the 1999 Form were side by side with the deletions for that data type from the 1997 Form.
- ▼ **Audit Burden Table** which asked respondents to estimate the cost of an audit for a plan with fewer than 100 participants which does not hold all its assets in a regulated financial institution. This is not currently a requirement on either the 1997 or the 1999 Form 5500, but it may exist in the future.
- ▼ **Annotated 1999 and 1997 Form 5500** indicating which item numbers on the main forms belong to each type of 5500 data. A description of each data type is provided in Appendix B. Form instructions were also sent to certain respondents.

The cover letter was customized for each respondent. Following is a copy of the respondent package.

PHASE TWO RESPONDENT PACKAGE

APPENDIX E
CHANGE IN BURDEN ANALYSIS SPREADSHEETS

This appendix includes the spreadsheets used to calculate the change in burden between the 1997 and the 1999 Forms 5500. It also provides the 1999 burden spreadsheets, which were derived from the 1997 sheets and the change in burden sheets. The methodology used to derive these sheets is described in Chapter V.

APPENDIX F

OMB PRESENTATION, MAY 13, 1999

Paperwork Reduction Act

Estimating Burden for Form 5500

Variables Involved in Burden Estimation

- Different filer types (small, large, pension, welfare)
- Different mix of schedules required for different filers
- Multiple service providers involved

Overall Methodology

- Breakdown burden into manageable estimates
- 17 data types x 49 filer types = 500+ separate burden estimates
- Solicit input from practitioners/filers
 - Convene expert panel to develop methodology
 - Assume 90% service providers, 10% sponsors prepare filings
 - Choose respondent strata

Respondent Strata

- Sponsors
 - Multiemployers
 - Very Large Single Employer
 - Large Single Employer
 - Small Employer
 - 5500 EZ
- Service Providers
 - Banks
 - Insurance
 - Actuarial
 - Accounting
 - Mutual Funds
 - Third-Party Administrators

Multiple Parties Involved in a Single Filing

- Sponsor
- Service provider-filer (usually accounting or actuarial firm)
- Accountant
- Actuary
- Insurance company

Data Collection Methodology

- Define data types and filer types
- Estimate numbers of each filer type
- Mark up 1997 forms showing data types
- Interview filers (sponsors and service providers)
- Analyze responses, calculate burden
- Assign and allocate burden to agencies by data type

Estimate Burden for 4 Groups

- Service provider burden when service provider files (90% of filings)
- Service provider burden when service provider does not file (100% - accounting and actuarial only)
- Sponsor burden when sponsor files (10%)
- Sponsor burden when service provider files (90%)

Estimating Changes in Burden for 1999 Forms

- Identify each item added and deleted on 1999 forms by data type
- Distribute each added and deleted item and 1999 forms to respondents
- Reinterview respondents on change in burden by data type
- Calculate change in burden and reallocate burden to agencies

Where the Burden is:

- Much of burden is associated with coordination and assembly
- Very little burden attributed to record keeping