



Report to the Ranking Member,
Committee on Education and the
Workforce, House of Representatives

June 2014

PRIVATE PENSIONS

Targeted Revisions Could Improve Usefulness of Form 5500 Information

GAO Highlights

Highlights of [GAO-14-441](#), a report to the Ranking Member, Committee on Education and the Workforce, House of Representatives

Why GAO Did This Study

The Form 5500 is the primary means of collecting information for use by the federal government and the private sector on retirement plan assets, which exceeded \$6 trillion in fiscal year 2011. Stakeholders, including those who prepare and use the form, have raised concerns about the quality and usefulness of form data. GAO was asked to review Form 5500 plan investment and fee information.

In this report, GAO examined: (1) stakeholder problems with Form 5500 plan investment information; (2) stakeholder problems with Form 5500 service provider fee information, and (3) challenges DOL, IRS, and PBGC face in collecting and revising Form 5500 information. GAO surveyed a panel of plan sponsors, service providers, representatives of plan participants, and researchers; interviewed agency officials; and reviewed studies on Form 5500 data.

What GAO Recommends

GAO recommends DOL, Treasury, and PBGC consider modifying Form 5500 plan investment and service provider fee information to address challenges identified by our panel. DOL, Treasury, and PBGC should look for options to conduct advance testing when making major revisions to the form. Congress should consider granting Treasury authority to require Form 5500 data be filed electronically. PBGC agreed with the recommendations. DOL and Treasury did not state whether they agreed or disagreed with the recommendations; however, they identified actions underway to address the first recommendation. GAO continues to believe the recommendations are valid.

View [GAO-14-441](#). For more information, contact Charlie Jeszeck at (202) 512-7215 or jeszeckc@gao.gov.

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Targeted Revisions Could Improve Usefulness of Form 5500 Information

What GAO Found

In a two-phase online GAO survey, stakeholders identified problems with the usefulness, reliability, and comparability of data from the Form 5500 (see table). Despite longstanding concerns with the Form 5500—the annual report that employee benefit plans file with the federal government—agency officials have made only minimal changes over the last 3 years.

Key Challenges Identified with Form 5500

Weaknesses in the format	Plan asset categories break out plan assets differently from the investment industry, and provide little insight into plan investments, their structure, or the level of associated risk. In particular, the majority of respondents indicated that the “other” plan asset category in the form is too broad because it can include many disparate types of investments. Respondents also indicated challenges in identifying the underlying holdings of plan assets invested in indirect investments.
Challenges in finding key information	The form lacks detailed information on plan investments because there is no structured, data-searchable format for attachments to the form and the filing requirements on plan investments is limited for small plans, which have less than 100 participants.
Inconsistent data	Naming conventions and identification numbers may be inconsistent, making it difficult to collect and accurately match records.

Source: GAO analysis of survey responses from our two-phase Form 5500 stakeholders panel.

Stakeholders said the form’s information on service provider fees was misaligned with other required fee disclosures, and also cited various exceptions and gaps in current reporting requirements as major challenges. Specifically, Form 5500 service provider fee information does not align with other information that service providers must disclose to plan sponsors, forcing providers to produce two different sets of information. Also, differences in service provider compensation types and the lack of definitions for codes designating the types of services provided can result in inconsistent and incomplete data being reported. Other exceptions and gaps in service provider information result in an incomplete picture of plan fees. For example, large plans—those with 100 or more participants—are not required to report fee information for certain types of compensation and small plans file only limited fee information.

The Department of Labor (DOL), the Internal Revenue Service (IRS), and the Pension Benefit Guaranty Corporation (PBGC) face significant administrative, statutory, and contractual challenges to collecting and revising the annual reporting information required for regulating private pensions. While the rulemaking process and other informal efforts to solicit stakeholder input have provided opportunities for public reaction to proposed changes to the form, these opportunities have been limited and have not included the advance testing OMB guidance suggests. Stakeholder input could lower costs by reducing subsequent changes, improve filer comprehension, and increase the comparability and reliability of the form’s data. Additionally, a statutory prohibition against requiring electronic filing caused IRS to remove certain data elements from the Form 5500 after DOL mandated electronic filing of the form. If IRS were able to require electronic filing, it could add the data elements back to the form, which would improve its compliance, restore robust information to its enforcement activities, and decrease its data collection costs.

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Abbreviations

103-12 IE	103-12 Investment Entity
APA	Administrative Procedure Act
ASPPA	American Society of Pension Professionals & Actuaries
CCT	Common/Collective Trust
CUSIP	Committee on Uniform Securities Identification Procedures
DFE	Direct Filing Entity
DOL	Department of Labor
EBSA	Employee Benefits Security Administration
EFAST	ERISA Filing Acceptance System
EIN	Employer Identification Number
ERISA	Employee Retirement Income Security Act of 1974
FAQ	frequently asked questions
Form 5500	Form 5500 Annual Return/Report of Employee Benefit Plan
IRC	Internal Revenue Code
IRPAC	Information Reporting Program Advisory Committee
IRS	Internal Revenue Service
MTIA	Master Trust Investment Account
OMB	Office of Management and Budget
PBGC	Pension Benefit Guaranty Corporation
PN	Plan Number
PRA	Paperwork Reduction Act
PSA	Pooled Separate Account
RIC	Registered Investment Company
SSA	Social Security Administration
TIGTA	Treasury Inspector General for Tax Administration

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June 5, 2014

The Honorable George Miller
Ranking Member
Committee on Education and the Workforce
House of Representatives

Dear Mr. Miller:

Private sector pension plans in the United States represent trillions of dollars in assets and are a fundamental source of financial security for millions of Americans. To protect this key source of retirement security, the federal government needs information to ensure that plans are operated in accordance with certain prescribed standards and that sufficient information is provided to protect participant interests. The Form 5500 Annual Return/Report of Employee Benefit Plan (Form 5500) is the primary source of information for both the federal government and the private sector regarding the funding, assets, investments, and fees of pension and other employee benefit plans.¹ The Department of Labor (DOL), the Department of the Treasury's Internal Revenue Service (IRS), and the Pension Benefit Guaranty Corporation (PBGC), jointly developed the form so plan sponsors could satisfy annual reporting requirements under the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code (IRC)². The three agencies use the Form 5500 to collect information for their various roles in regulating and monitoring private pension plans. Close to 700,000 plans filed a Form 5500 in 2011, representing over \$6 trillion in assets and more than 130

¹ For the purposes of this report, we will be discussing Form 5500 reports as they relate to private pension plans.

² Pub. L. No. 93-406, 88 Stat. 829 (codified as amended at 26 U.S.C. §§ 401-436 and 4971-4982 and 29 U.S.C. §§ 1001-1453).

million participants and beneficiaries.³ Additional federal agencies and many private sector stakeholders use the plan investment and service provider fee information collected via the Form 5500 to assess plan benefits, fees, economic trends, public policy implications, and other issues. Although a large number of retirees rely on employer-sponsored plans, participants rarely review Form 5500 data themselves. Instead, participant advocates such as ERISA plaintiff's attorneys and retirement counselors use the data to help protect participants' interests.

Despite widespread use of and reliance on Form 5500 data, concerns have long been raised by stakeholders—especially those who prepare and use the form data—about the quality and usefulness of data it collects on plan investments and service provider fees. Data on those fees are crucial in assessing the financial risk, health, and cost of the plans, including service provider fee disclosures. Along with some researchers, we have expressed concerns that the form does not collect all of the information stakeholders need, including sufficient detail to fully understand plan investments, performance, and fees. We and the filing community have also found aspects of the form to be burdensome to complete and difficult to interpret. For example, in 2009, we found that plans were confused over DOL's Schedule C reporting requirements and distinctions between compensation types (eligible indirect compensation vs. reportable indirect compensation).⁴ GAO was asked to review the usefulness of plan investment and service provider fee information collected via Form 5500. Given these competing concerns, we examined (1) what aspects of the Form 5500 information on plan investments stakeholders find problematic; (2) what aspects of the Form 5500 information on service provider fees stakeholders find problematic; and (3) what, if any, challenges DOL, IRS, and PBGC face in collecting and

³ U.S. Department of Labor, Employee Benefits Security Administration, *Private Pension Plan Bulletin, Abstract of 2011 Form 5500 Annual Reports*, (June 2013). Participant types are active participants, retired or separated participants receiving benefits, and other retired or separated participants with a vested right to benefits. Beneficiaries include deceased participants whose beneficiaries are receiving or entitled to benefits. While some private sector employer-sponsored group health plans are required to file a Form 5500, they are outside the scope of our report. Generally, a plan has 210 days from the end of the plan year to file its Form 5500, but filers may apply for an extension of an additional 2½ months; therefore, 2011 was the most current data available.

⁴ GAO, *Private Pensions: Additional Changes Could Improve Employee Benefit Plan Financial Reporting*, [GAO-10-54](#), (Washington, D.C.: November 2009).

revising key annual reporting information on plan investments and service provider fees needed from plan sponsors.

To address these objectives, we interviewed knowledgeable agency officials and non-government Form 5500 stakeholders (representatives of plan sponsors, service providers, retirement consultants, attorneys, and researchers); reviewed industry publications along with relevant federal laws, regulations, and agency guidance, and inspected a nonrepresentative sample of 20 Form 5500 filings—10 defined contribution large plan filings and 10 defined benefit large plan filings—for the 2012 plan year.⁵ To address the first and second research objectives, we gathered the opinions of pension professionals outside government who either work with Form 5500 or rely on it for their work by conducting a two-phase online panel survey of 43 non-government stakeholders. To ensure a range of views on our panel, we identified a non-representative sample of nongovernmental stakeholders from several backgrounds, including representatives of plan sponsors, participants, and services providers, as well as researchers and academics. We identified panelists from a variety of sources, including contacts developed in past related reports, participants in our 2011 and 2012 Comptroller General’s Retirement Security Advisory Panel sessions, Form 5500 users identified by DOL, and large pension and investment plan administrators and consultants.

We conducted our work from November 2012 to June 2014 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁵ We chose 2012 plan data because it was the most recent publicly available dataset where the majority of filings were filed at the time of our data analysis. Specifically, we limited our sample of plan filings based on: 1) filings for plan year ending in calendar year 2012, 2) filings for a defined benefit or defined contribution plan, 3) filings that included a Schedule C (Service Provider Information), H (Financial Information), and a Schedule of Assets Attachments, and 4) filings that have a non-zero value in the “Other” plan asset category in Schedule H. Based on these criteria, our potential sample of Form 5500s included 1,361 DB plans and 4,782 DC plans. See appendix I for more details on our sampling methodology.

Background

ERISA and Internal Revenue Code Requirements for Form 5500

Private pension plans are governed by ERISA and the IRC, whose annual reporting requirements may generally be satisfied through filing a *Form 5500 Annual Return/Report of Employee Benefit Plan* (Form 5500) and its accompanying schedules.⁶ Any sponsor of an employee benefit plan subject to ERISA must file detailed information about each benefit plan every year. To satisfy the annual reporting requirements, DOL, IRS, and PBGC jointly developed and maintain the Form 5500. The form is the primary source of information collected by the federal government regarding the operation, funding, expenses, and investments of employee benefit plans.⁷ In 2011, plan sponsors filed close to 700,000 Form 5500 reports, covering more than 130 million active participants and more than \$6 trillion in investments.⁸ The Form 5500 Return includes nine schedules and attachments that collect information on particular plan aspects and fulfill specific filing requirements⁹ including:

- plan investment and service provider fee information,
- plan financial condition,
- annual participant contributions,

⁶ Certain pension and welfare plans with fewer than 100 participants at the beginning of the plan year may be eligible to file the Form 5500-SF, the *Short Form Annual Return/Report of the Small Employee Benefit Plans*, which is a simplified annual report form, instead of the Form 5500. Form 5500-SF filers generally are not required to file schedules or attachments, except for defined benefit pension plans, which must file the appropriate actuarial schedule.

⁷ Most plan sponsors must submit some version of a Form 5500 each year for each plan they sponsor, but other reports are also sometimes required depending on the plan's specific design and circumstances. For more details, see GAO, *Private Pensions: Clarity of Required Reports and Disclosures Could Be Improved*, [GAO-14-92](#), (Washington, D.C.: November 2013).

⁸ Some plans maintain plan assets in certain trusts, accounts, and other investment arrangements that file their own Form 5500 annual return/report as a Direct Filing Entity (DFE).

⁹ The schedules and attachments required to be filed for a plan varies based on plan type and plan size. For example, pension plans with less than 100 participants do not have to file Schedules C, G, or H. More information on the 2013 filing requirements of different types of plans is available in the Form 5500 instructions at www.dol.gov/ebsa/pdf/2013-5500inst.pdf.

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- certain investment income,
 - plan type (i.e., defined benefit or defined contribution),
 - funding methods, and
 - number of participants.

For example, Schedule C requires plans to provide information on fees charged by select service providers. Schedules H and I require large and small plans respectively to provide information on plan investments. Plans are also required to include attachments, such as a Report of Independent Qualified Public Accountant. Form 5500 data are made publicly available. Given the form's valuable information and its widespread use, we have conducted a number of reviews of it over the past few years, including examinations of the timeliness and content of the form, fee reporting, oversight of multiemployer plans, and the clarity of required disclosures.¹⁰

Federal Role and Other Form 5500 Stakeholders

Form 5500 constitutes an integral part of the enforcement, research, and policy formulation programs of DOL, IRS, and PBGC—the primary federal agencies that use it to support their role in regulating and monitoring private plans. DOL's Employee Benefits Security Administration (EBSA) uses the Form 5500 as a tool to monitor and enforce plan administrators and other fiduciaries and service providers' responsibilities under Title I of ERISA. IRS uses the form to enforce standards that relate to such matters as how employees become eligible to participate in benefit plans, how they become eligible to earn rights to benefits, and the minimum amount employers must contribute. PBGC uses the form as a tool to inform its efforts to insure the benefits of participants in most private sector defined benefit pension plans and help carry out its mission under Title IV of ERISA to encourage the continuation and maintenance of private pension plans. In March 2014, the DOL Office of Inspector General issued an audit report examining whether EBSA was effectively

¹⁰ See GAO, *Private Pensions: Government Actions Could Improve the Timeliness and Content of Form 5500 Pension Information*, [GAO-05-491](#), (Washington, D.C.: June 2005); [GAO-10-54](#); GAO, *401(k) Plans: Increased Educational Outreach and Broader Oversight May Help Reduce Plan Fees*, [GAO-12-325](#), (Washington, D.C.: April 2012); GAO, *Private Sector Pensions: Federal Agencies Should Collect Data and Coordinate Oversight of Multiple Employer Plans*, [GAO-12-665](#), (Washington, D.C.: September 2012); and GAO, *Private Pensions: Clarity of Required Reports and Disclosures Could Be Improved*, [GAO-14-92](#), (Washington, D.C.: November 2013).

overseeing the Form 5500 reporting process.¹¹ Additionally, other federal agencies and Congress use information collected through the form to assess economic trends and develop policy initiatives. The Form 5500 is also a source of information and data for various nongovernmental stakeholders, who use it to assess employee benefit, tax, and economic trends and policies. Private plan sponsors are required to file annual reports concerning, among other things, the financial condition and operation of their plans. Form 5500 disclosure and reporting was intended to protect the interests of participants and their beneficiaries by, among other things, requiring disclosure and reporting to participants and beneficiaries of financial and other information.

Agency Initiatives

In 1999, DOL, IRS, and PBGC implemented a new computerized system called the ERISA Filing Acceptance System (EFAST) to improve processing of Form 5500 returns. Because there was no electronic filing requirement when EFAST was implemented, most forms were submitted on paper. In January 2010, DOL completed its effort to begin collecting Form 5500 information electronically, an initiative known as ERISA Filing Acceptance System (EFAST2). DOL contracted with an information technology firm to design, develop, test, implement, operate, and maintain the EFAST2 system. While the form and its attachments are collected electronically, attachments are not all required to be in a single structured, data-searchable format. The move to EFAST2 and the implementation of an electronic filing requirement have addressed some long-standing issues with the timeliness of Form 5500 data, but additional timeliness concerns have not been addressed. Specifically, in a 2005 report we raised concerns about the timeliness of Form 5500 information due to statutory reporting requirements that allow filers a substantial amount of time to file the Form 5500, which did not change with the implementation of EFAST2.¹²

DOL issued regulations revising the form in November 2007 in an effort to facilitate the transition to an electronic filing system; reduce and streamline annual reporting burdens; and update the annual reporting forms to reflect current issues, agency priorities, and requirements of the

¹¹ Department of Labor, Office of Inspector General, Office of Audit, *EBSA Could Improve Its Usage of Form 5500 Data*, 05-14-003-12-121(Washington, D.C.: March 31, 2014).

¹² [GAO-05-491](#).

Pension Protection Act of 2006.¹³ Among other things, these changes expanded the fee and compensation disclosures of the Form 5500. According to DOL officials, these changes were made to increase transparency regarding the fees and expenses employee benefit plans pay. DOL officials explained that they also wanted to ensure that plan officials would obtain the information needed to assess the compensation paid for services rendered to the plan while taking into consideration revenue-sharing arrangements among plan service providers and potential conflicts of interest. Since the 2009 plan year, Schedule C requires plan sponsors to classify the fees they pay service providers as either “direct” or “indirect” compensation. These fees are separated into those the plan pays directly to a service provider and those that service providers receive from third parties (such as another service provider) or plan investments.

DOL, IRS, and PBGC have established committees to work collectively on a number of initiatives related to the form. The tri-agency Form 5500 working group, which consists of representatives from all three agencies, meets monthly to propose updates and discuss how to implement updates provided by each agency that should be made to the Form 5500. Proposed updates include minor technical changes, changes to the instructions, and changes that must be made as a result of statutory or regulatory changes. This working group facilitates discussion between the agencies, but according to DOL officials it is not a decision-making body. Each of the three agencies decides independently whether to proceed with changes to the form. Recently the three agencies established the 21st Century Initiative to examine, among other things, the possibility of modernizing the form by making major, substantive revisions to all its parts. In addition, the initiative plans to examine the feasibility of streamlining the lengthy rulemaking process which generally requires DOL to take several steps, including obtaining review and clearance to publish by the Office of Management and Budget (OMB) and publishing a notice of proposed rulemaking in the Federal Register, providing interested persons the opportunity to comment on the proposed regulation, and publishing a final regulation. EBSA’s Office of Technology and Information Services is focused on, among other things, improving

¹³ Annual Reporting and Disclosure, 72 Fed. Reg. 64,710 (November 16, 2007). Codified at 29 C.F.R. pt. 2520.

the flexibility of the next EFAST system contract when the current contract expires in 2020.

In 2012, OMB issued a memorandum to provide guidance to agencies on testing and simplifying federal forms that collect information from the public.¹⁴ The memo further directed agencies to engage in advance testing of information collections— including lengthy and complex forms— where feasible and appropriate, in order to: (1) ensure that they are not unnecessarily complex, burdensome, or confusing; (2) discover the likely burden on members of the public (including small businesses); and (3) identify ways to make the form as simple and easy to use as possible. The memorandum further advised that advance testing¹⁵ should occur either before proposing information collections to the public or during the public comment period required by the Paperwork Reduction Act of 1995 (PRA), which sets forth the requirements that agencies must meet when collecting information.¹⁶

¹⁴ Office of Management and Budget, Office of Information and Regulatory Affairs, *Testing and Simplifying Federal Forms*, Memorandum for the Heads of Executive Departments and Agencies, and of the Independent Regulatory Commissions (Washington, D.C.: August 9, 2012).

¹⁵ Examples of advance testing can include focus groups, in-person observations of users' perceptions of the forms and questions, web-based experiments, and randomized controlled experiments.

¹⁶See 44 U.S.C. § 3501 *et seq.*

Stakeholders Cited Challenges with Plan Asset Reporting Format, Missing Information, and Inconsistent Data

Form 5500 stakeholders identified challenges to the usefulness, reliability, and comparability of plan asset information. Through a two-phase online panel survey process, respondents¹⁷ first generated a wide range of challenges and potential changes related to Form 5500 plan investment information. Then, in the second phase of the survey, respondents rated those challenges and potential changes identified in first phase.¹⁸ The highest rated challenges fell into three categories: (1) challenges with the reporting format of plan asset categories, (2) challenges arising from missing key information, and (3) challenges with inconsistent information. Table 1 lists the top challenges respondents to the second phase of the survey rated as having a very or extremely significant impact to their work with the Form 5500.

¹⁷ While 32 panelists participated in second phase of our online survey, not all panelists provided a rating for each individual challenge or suggested change presented. Throughout the report, we refer to those panelists who provided a rating to an individual challenge or change suggestion as a respondent. For more information on our two-phase panel survey, see appendix I.

¹⁸ In the first phase of the panel survey, panelists were asked open-ended questions, to list specific challenges and suggest potential changes to improve the plan investment and service provider fee information on the form. We performed a content analysis on the responses to the open-ended questions to aggregate responses into lists of distinct challenges and suggested changes. In the second phase of the survey, we asked each panelist to rate the significance of the challenges and the impact of the suggested changes that the panel had collectively identified in the first phase. See appendix I for more information on the methodology of our two-phase panel survey.

Table 1: Top Challenges with Form 5500 Plan Investment Information Identified by Survey Respondents

Challenge category	Potential challenge	Very significant	Extremely significant	Number of responses	Percent of responses very or extremely significant
Reporting format	“Other” plan asset category in Schedule H (Financial Information) line 1c-15 is too broad and may include different types of investments, such as swaps, hedge funds, private equity, etc.	12	5	31	54.8%
	Many plans invest assets through Master Trust Investment Accounts (MTIA) ^a or Common/Collective Trusts (CCT) ^b ; however, Schedule H, Part I allows plan sponsors to lump investments in all trusts all together. This does not provide transparency into the breakdown of investments held within each trust.	8	6	31	45.2%
	Plan asset information collected in Schedule H, Part I asks plan sponsors to break out their plan assets quite differently from how the investment industry reports on this information	6	4	31	32.3%
	Difficult to match up an individual plan’s investments and returns from the Direct Filing Entity (DFE) ^c	8	2	31	32.3%
Missing key information	Cannot determine administrative expenses deducted from returns when a plan invests with a registered investment company	6	8	31	45.2%
	No information on the default investment option in the plan	5	6	30	36.7%
	No standard reporting format or unique identifier for funds listed in Schedule H line 4i – Schedule of Assets Attachments	4	7	31	35.5%
	Schedule I (Financial Information—Small Plan) is lacking detailed information on plan assets	6	5	31	35.5%
	No information on the breakdown of assets held by individual participant accounts within a plan	4	6	31	32.3%
	Administrative expenses reported on Schedule H, Part II do not include certain indirect expenses ^d	3	7	31	32.3%
Inconsistent information	Data provided on plan investments is not timely	7	5	31	38.7%
	Inconsistent use of names and Employer Identification Numbers (EIN) ^e	8	3	31	35.5%
	Employer company stock and real property are often not recorded properly on Schedule H	6	5	31	35.5%
	Confusion about including or excluding mutual funds on Schedule D (DFE/Participating Plan Information)	7	3	31	32.3%

Source: GAO analysis of survey responses from GAO’s two-phase Form 5500 stakeholders panel.

Note: Table shows plan investment challenges for which 10 or more panelists indicated it was a “very significant” or “extremely significant”

^aFor purposes of annual reporting, the instructions of the Form 5500 define a Master Trust Investment Account (MTIA) as a trust for which a regulated financial institution serves as trustee or custodian (regardless of whether such institution exercises discretionary authority or control with respect to the management of assets held in the trust), and in which assets of more than one plan sponsored by a single employer or by a group of employers under common control are held.

^bFor purposes of annual reporting, the Form 5500 instructions define a Common/Collective Trust (CCT) as a trust maintained by a bank, trust company, or similar institution which is regulated, supervised, and subject to periodic examination by a state or federal agency for the collective investment and reinvestment of assets contributed thereto from employee benefit plans maintained by more than one employer or controlled group of corporations.

^cThe Form 5500 instructions define a Direct Filing Entity (DFE) as any MTIA, CCT, Pooled Separate Account, 103-12 Investment Entity, or Group Insurance Arrangement who files a Form 5500 and for which all required attachments are filed in accordance with the DFE Filing Requirements. Some plans participate in certain trusts, accounts, and other investment arrangements that may file their own Form 5500. Plans that have plan assets in DFEs are eligible for certain annual reporting relief on their Form 5500 filings.

^dAccording to DOL, reporting third party compensation on the Schedule H would be inconsistent with the balance sheet accounting principles of those portions of the schedule.

^eIRS defines an Employer Identification Number (EIN) as a nine-digit number that IRS assigns to identify the tax accounts of employers and certain others who have no employees. For employee plans, an alpha (for example, P) or the plan number (e.g., 003) may follow the EIN. The IRS uses the number to identify taxpayers that are required to file various business tax returns. EINs are used by employers, sole proprietors, corporations, partnerships, non-profit associations, trusts, estates of decedents, government agencies, certain individuals, and other business entities.

Challenges with Plan Asset Categories

Some Form 5500 stakeholders¹⁹ stated that the plan asset categories on Schedule H are not representative of current plan investments, which has several consequences.²⁰ Ten of 31 respondents noted that it's a very or extremely significant challenge to break out plan assets on Schedule H differently than the investment industry typically reports this information. That makes it difficult to determine how to properly categorize investments based on the asset categories provided, according to a plan fiduciary. For example, large plans typically use an investment manager for each asset category (such as fixed income, equities, hedge funds, or private equity), but Schedule H's plan asset categories are broken out by the type of investment vehicle (such as partnerships, collective trusts, pooled separate accounts, or mutual funds). Thus, it can be difficult to understand the categories, apply them, and disaggregate the data by investment vehicle rather than asset class. As one pension consultant

¹⁹In this report, we use the term "Form 5500 stakeholders" to refer to respondents of our two-phase online panel survey and other service providers, researchers, and representatives of plan participants we spoke to who did not participate in our panel survey.

²⁰ Plan asset categories are reported on Part I of the Schedule H.

said, the asset categories provide little insight into the investments themselves, the level of associated risk, or the structures of these investments. Furthermore, as one preparer pointed out, the trust reports and the audited financial statement do not match Form 5500 asset categories—forcing plan sponsors and their service providers to produce multiple sets of information. In addition, they often found inconsistencies, incomplete information, or miscategorized investments in the information service providers submitted.

A second consequence of misaligned plan asset categories, according to Form 5500 stakeholders, is that the “other” plan asset category is too broad. The “other” plan asset category may contain a variety of different types of disparate investments, such as options, index futures, state and municipal securities, hedge funds, and private equity. Seventeen of the 31 respondents indicated that the “other plan asset” category is too broad and poses a very or extremely significant challenge to their work with Form 5500 data. One respondent said that while hedge fund and private equity have very different risk, return, and disclosure considerations from state and municipal securities, all these investments could be included in the “other plan asset” category. This is a growing issue as plan investment in some of these vehicles has grown considerably in recent years. As we found in 2012, according to a Pensions & Investments survey, the percentage of large plans (as measured by total plan assets) investing in hedge funds grew from 47 percent in 2007 to 60 percent in 2010 and the percentage of large plans that invested in private equity grew from 80 percent to 92 percent.²¹ Similarly, several respondents said they have seen forms where large portions of plan assets were recorded in the “other” category.

A third consequence of misaligned plan asset categories is that the current reporting format of plan investments makes it difficult to see the

²¹ GAO analysis of Pension & Investments annual survey data, 2001-2010. For the purposes of this analysis, large plans refer to plans with \$1 billion or more in total assets. See GAO, *Defined Benefit Plans: Recent Developments Highlight Challenges of Hedge Fund and Private Equity Investing*, [GAO-12-324](#) (Washington, D.C.: Feb. 16, 2012).

underlying holdings of indirect investments.²² According to a recent study²³, large single-employer defined benefit plans invested about 64 percent of their total assets, on average, in four types of indirect investments in 2010 (see table 2). Thus, a majority of the assets of large single-employer defined benefit plans are reported only as “undifferentiated indirect investments” on Schedule H.²⁴ Similarly, large single-employer defined contribution plans in 2010 held about 34 percent of their total assets, on average, in indirect investments (see table 2). Almost half of our survey respondents indicated that Schedule H’s lack of transparency into the breakdown of investments held within each trust was a very or extremely significant challenge. Eight out of 11 researchers and 5 of 6 participant representatives from our survey panel indicated this was a very or extremely significant challenge.²⁵ One ERISA attorney we spoke to noted that he needed to hire a consulting actuary to provide clarity of one plan’s financial investments. Without clear information on these indirect investment vehicles, it is more difficult for Form 5500 stakeholders to assess and analyze the risk of underlying investments of plans using Form 5500 data. For example, PBGC officials acknowledged that plan asset information as currently reported is not very useful to their work and that they have to ask plans for additional information, such as actuarial reports and audited financial statements, to help identify the underlying assets in indirect investments to assess the financial health of the plan.

²² For the purposes of this report, indirect investments refers to plan investment in any number of pooled investment vehicles that are not registered investment companies and may file their own Form 5500s as a Direct Filing Entity (DFE). DFEs include Master Trust Investment Accounts (MTIA), Common/Collective Trusts (CCT), Pooled Separate Accounts (PSA), and 103-12 Investment Entities (103-12 IE), which are pooled investment entities that include plan assets from more than one employee benefit plan, that are not MTIAs, CCTs, or PSAs. Real estate investment funds, hedge funds, and private equity funds may be categorized as a 103-12 IE.

²³ Peter J. Wiedenbeck, Rachel K. Hinkle, and Andrew D. Martin, “Invisible Pension Investments,” *Virginia Tax Review*, vol. 32, no.4 (2013).

²⁴ Plan sponsors are required to break out the underlying assets in CCTs and PSAs into the appropriate plan asset categories on Schedule H if the entity does not file its own Form 5500.

²⁵ Only 1 out of 15 representatives of plan sponsors and their service providers indicated Schedule H’s lack of transparency into the breakdown of investments held within each trust was a very or extremely significant challenge.

Table 2: Plan Assets in Indirect Investment Vehicles for Large Single-employer Plans (2010)

Indirect Investment Vehicle^a	Percent of large defined benefit plan total assets	Percent of large defined contribution plan total assets
Master Trust Investment Account (MTIA)	49.4%	20.4%
Common/Collective Trust (CCT)	11.7%	9.9%
103-12 Investment Entities (103-12 IE)	1.8%	—
Pooled Separate Accounts (PSA)	1.4%	3.5%
Total	64.3%	33.8%

Source: GAO analysis of data from Wiedenbeck, Hinkle, and Martin, "Invisible Pension Investments," 591.

Note: Large plans refer to plans covering 100 or more participants at the start of the plan year, annually filing Form 5500 Schedule H.

^aFor the purposes of this report, indirect investments refers to plan investment in any number of pooled investment vehicles that are not registered investment companies and may file their own Form 5500s as a Direct Filing Entity. Direct Filing Entities include Master Trust Investment Accounts (MTIA), Common/Collective Trusts (CCT), Pooled Separate Accounts (PSA), and 103-12 Investment Entities (103-12 IE), which are pooled investment entities that include plan assets from more than one employee benefit plan, that are not MTIAs, CCTs, or PSAs. Real estate investment funds, hedge funds, and private equity funds may be categorized as a 103-12 IE.

The ability to see into the underlying holdings of indirect investments is further complicated by the difficulty in matching a plan's investments and returns with those reported in the indirect investment's filing.²⁶ Seven of 11 researchers and 3 of 6 participant representatives from our panel cited difficulty in matching up an individual plan's investment and returns from indirect investments as a very or extremely significant challenge.²⁷ When plan assets are invested in indirect investments, plan sponsors file a Schedule D, which lists the plan's interests in each indirect investment; the indirect investment's filing then provides a breakdown of assets in its own Schedule H (see figs. 1 and 2). Although indirect investments are required to file their own Form 5500, they report on their general asset holdings, not the holdings of individual plans invested with them. According to one respondent, there is no way to calculate the fees

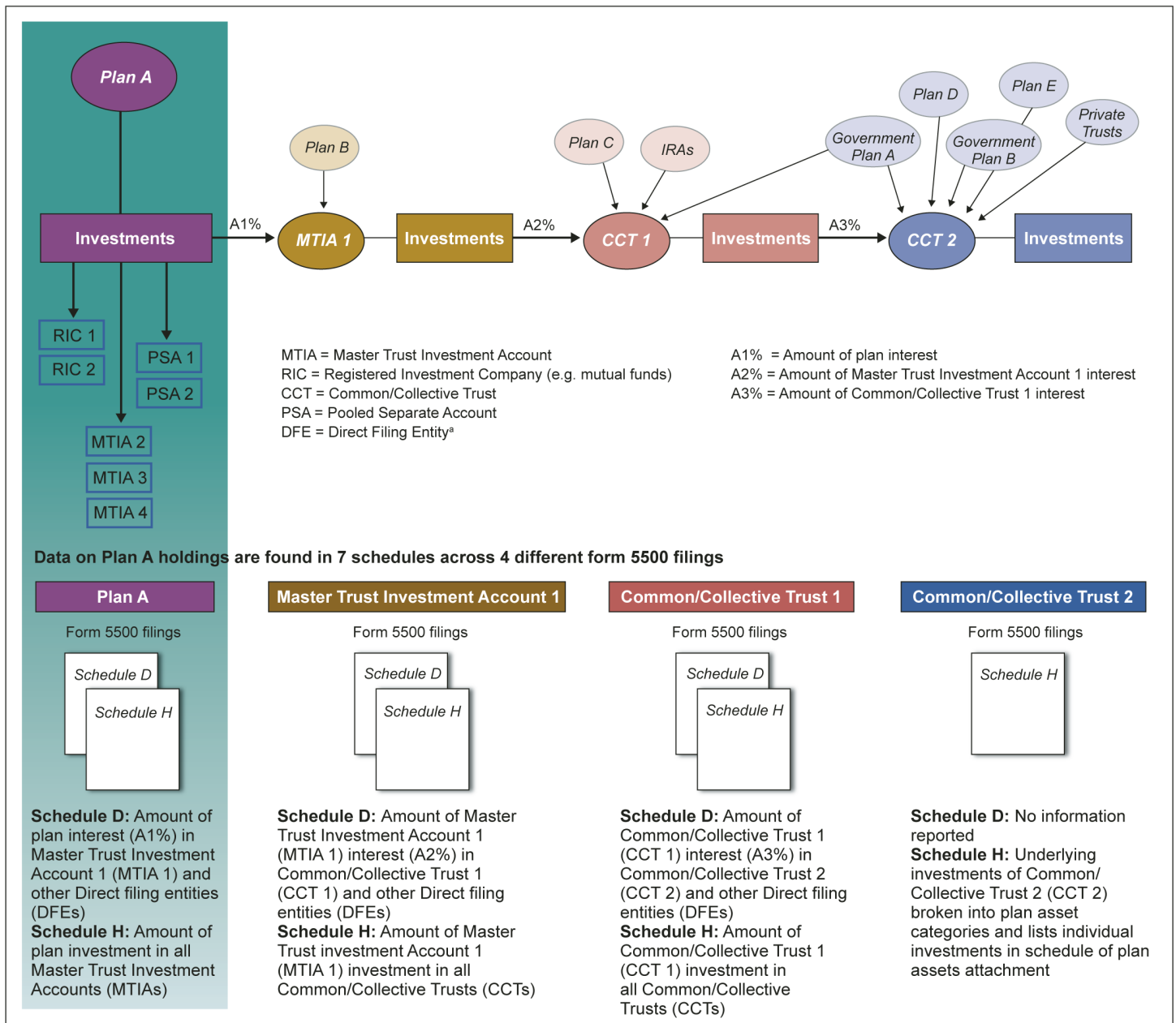
²⁶ Some plans participate in certain trusts, accounts, and other indirect investment arrangements, such as an MTIA, CCT, PSA, 103-12 Investment Entity, or Group Insurance Arrangement. Plans that have plan assets in these indirect investments that file their own Form 5500s are eligible for certain annual reporting relief on their Form 5500 filings regarding their interests in these indirect investments.

²⁷ None of 15 representatives plan sponsors and service providers indicated difficulty in matching up an individual plan's investment and returns from indirect investments as a very or extremely significant challenge.

charged to individual plans. Furthermore, the information reported on Schedule D may not be reliable or complete and may not match the information in the indirect investment's filing. According to a recent study of 2008 plan year Form 5500 data, more than 35 percent of plans that invested in indirect investments reported data on their Schedules H and D that were inconsistent.²⁸ In addition to internal inconsistencies, the study showed that matching a plan's indirect investments with the indirect investment's own filing can be challenging since 18 percent of reported plan investments could not be matched to a corresponding indirect investment filing. Furthermore, there may be multiple layers of indirect investment entities that complicate efforts to identify the underlying investments individual plans held because it required linking multiple indirect investment filings to a single plan filing (see fig. 1).

²⁸ Wiedenbeck, Hinkle, and Martin, "Invisible Pension Investments," 591.

Figure 1: Complexity of Multi-layer Investment of Plan Assets, as Illustrated by a Hypothetical Example



Source: GAO analysis of Form 5500 series (investment information).

Note: The figure represents a simplified illustration of hypothetical Plan A's investment of plan assets. The figure also shows the interests of other potential investors in these hypothetical pooled investment vehicles and the reporting requirements for a large plan sponsor and its indirect

investments. The composition of plan assets, the structure of the vehicles holding plan assets, and the degree to which plan assets are held in pooled investment vehicles will vary from plan to plan.

The top rated change to plan investment information suggested by respondents was to revise Schedule H asset categories to better match current investment vehicles (see appendix II). Consistent with the results of our survey panel, DOL, IRS, and PBGC officials all concurred that plan asset categories do not reflect investments in the current marketplace and should be revised.

Challenges with Finding Key Information

In addition to challenges with the reporting format, Form 5500 stakeholders identified various instances where information is not collected or easily extracted from Form 5500 data. For example, 11 of 31 respondents indicated that having no standard reporting format for the Schedule of Assets Attachments (Schedule H line 4i) was a very or extremely significant challenge. Attachments to the form can be large—some may be as long as 400 pages—presenting a challenge for users to find necessary information. Also, it can be difficult to conduct aggregate analyses of the information without a unique identifier, such as a Committee on Uniform Securities Identification Procedures (CUSIP) number, as one respondent suggested.²⁹ Our survey results showed that while most researchers indicated that a lack of a standard reporting format or unique identifier for plan assets attachment is a major challenge, representatives of plan sponsors and service providers and participant representatives did not.³⁰ However, 22 of 31 respondents indicated that standardizing the format would be a somewhat positive or very positive change and only 3 respondents indicated this change would have a negative impact. Both DOL and PBGC officials said there is no uniform format or uniform identifier to the Schedule of Assets Attachments; however, they acknowledged that attachments would be more useful if they were submitted in a structured, data-searchable format.

²⁹ A CUSIP number identifies most securities, including stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The number uniquely identifies a company or issuer and the type of security.

³⁰ Eight of 11 researchers, 2 of 15 plan sponsor and service provider representatives, and 1 of 6 plan participant representatives indicated that a lack of a standard reporting format or unique identifier for plan assets attachment is a very or extremely significant challenge.

Respondents also identified additional plan investment information that would be beneficial to add to the Form 5500. First, some respondents—mainly researchers and participant representatives—indicated that a lack of detailed plan asset information on Schedule I (Financial Information-Small Plan) creates a very or extremely significant challenge for their work with the Form 5500.³¹ In addition, the Schedule H (Financial Information) is required only with larger plans (plans with 100 or more participants)—which account for approximately 12.5 percent of all plans that filed a form in 2011—leaving the vast majority of plan filings without this critical information. According to one respondent, without the Schedule H, it is not possible to build a complete picture of a plan’s health. Schedule H and the accompanying attachments can help determine if a plan provides a variety of investment options, can help calculate the total cost of the plan for participants, and provide a more complete understanding of plan investments. However, another respondent cautioned against treating small employers like large employers and burdening them with additional filing requirements to satisfy researchers or commercial data mining firms. Second, although the form requires plan sponsors to indicate if a plan includes an auto enrollment feature through the plan characteristic codes, it does not capture which default investment is used.³² Although 11 of 30 respondents indicated that not knowing the default investment is a very or extremely significant challenge, it was a top-rated suggested change, with only one respondent citing it would have a negative impact. For a list of all the top changes rated by our survey respondents, see appendix II.

³¹ Seven of 11 researchers, 3 of 6 plan participant representatives, and 1 of 15 plan sponsor representatives indicated that Schedule I lacking detailed plan asset information is a very or extremely significant challenge.

³² A default investment is a vehicle in which employee contributions will be invested absent a specific choice by the plan participant. PPA included various provisions designed to encourage greater retirement savings among workers eligible to participate in 401(k) plans, such as provisions that facilitate plan sponsors’ adoption of automatic enrollment policies. See Pub. L. No. 109-280, § 902, 120 Stat. 780, 1033.

Challenges with Identifying Plans and Funds Consistently and Other Issues

Form 5500 stakeholders also cited challenges with understanding instructions and interpreting inconsistently reported data. Eleven of 31 respondents indicated that inconsistent naming conventions and Employer Identification Numbers (EIN) throughout the form presented a very or extremely significant challenge.³³ One plan preparer said that compiling and recording EINs and Plan Numbers (PN) for each entity recorded on Schedule D can be difficult and time-consuming because plan sponsors, trustees, or service providers do not always provide this information. In addition, one researcher stated that plans often report the wrong number for indirect investments, which hinders the ability to link the indirect investment's filing with the plan's filing and prevents accurate attribution of indirect investments. Thirteen of 31 respondents indicated that providing a central repository of EINs and PNs would be a very positive change. PBGC officials also acknowledged that inconsistent EINs and PNs can hinder their ability to analyze records across years. While IRS officials said they have a repository of EINs and assign EINs to filers, they do not share the EINs with the other agencies or make this information publicly available to filers. DOL has taken some steps to improve the reliability of PNs, EINs, and names that filers reported. For example, EFAST2 enables filers to identify previously used names and EINs and form instructions state filers should use the same name and PN as in previous years. In addition, DOL examines plans that stop filing Form 5500s as part of its enforcement activities, and often finds that plans have continued filing, but with inconsistent identification. According to DOL, in an effort to improve filer consistency in entering key identifying information, such as the EIN, PN and Plan Name, DOL's EFAST program office is developing specifications for cross-year edit checks. These checks aim to verify identifying information submitted on the Form 5500 in order to notify the filer and government agencies of instances where inconsistencies may exist. IRS works with filers to file amended returns to update and correct EINs when they become aware of an issue, according to IRS officials.

Some respondents still find the timeliness of Form 5500 to be problematic (see table 1). According to one independent fiduciary, current plan assets are usually quite different from the assets listed in the Form 5500. PBGC officials expressed frustration with Form 5500 reporting deadlines as well.

³³ An EIN is a unique nine-digit number assigned by the IRS to business entities for the purposes of identification.

The EFAST2 system has reduced the time it takes to publish Form 5500 data to the public once it is submitted. Under ERISA, however, plan sponsors have a normal deadline of 210 days after the end of the plan year to file and may then apply to IRS for an annual automatic one-time 2 ½ month extension. Thus, plan sponsors can take up to 285 days from the end of the plan year to file their Form 5500 reports.

In addition to the challenges and suggested changes mentioned above, respondents identified a number of other changes to Form 5500 investment information that could have a positive impact, such as clarifying:

- when to use fair value versus contract value on the Schedules H and I, and
- if a “contract administrator” referred to in Schedule H includes record keepers.

For a complete list of suggested changes identified by respondents through our two-phase online panel survey, see appendix II.

Stakeholders Cited Misalignment with Other Fee Disclosures and Inconsistent Reporting of Service Provider Fee Information as Problematic

Stakeholders identified a wide range of challenges related to Form 5500 service provider fee information. Representatives of plan sponsors and their service providers cited the burden of being required to produce different sets of fee information—one for ERISA fee disclosures and one for the Form 5500. Participant representatives found the format confusing to understand and ineffective for estimating total plan costs. Researchers found the current Schedule C reporting format unhelpful because it provides an incomplete picture of plan fees and aggregate data are not very reliable or comparable. Table 3 lists the top challenges respondents of our two-phase online panel survey identified as having a very significant or extremely significant impact to their work with the Form 5500.

Table 3: Top Challenges with Form 5500 Service Provider Fee Information Identified by Survey Respondents

Potential challenge	Very significant	Extremely significant	Number of responses	Percent of responses very or extremely significant
Service provider fee information provided to form preparers is inconsistent because of different reporting formats	13	4	31	54.8%
Schedule C (Service Provider Information) does not align with 408(b)(2) fee disclosure requirements ^a	10	6	30	53.3%
Compensation paid to the service provider by the plan sponsor does not have to be disclosed	4	10	30	46.7%
Definitions of eligible indirect, reportable indirect, and direct compensation are unclear	6	8	31	45.2%
The revenue sharing arrangement information can be provided in descriptive format and may vary significantly across providers	5	9	31	45.2%
Confusion and inconsistent reporting of service provider codes in Schedule C	8	5	31	41.9%
Rules on soft dollar disclosure ^b are confusing	4	6	31	32.3%
Inconsistencies in reporting period for fees (accrued fees versus fees paid in given year)	9	1	31	32.3%
Hard for Form 5500 ^c preparers to determine if a fund/fee should be treated as eligible indirect compensation because notice is not required to be sent to plan administrator	8	2	31	32.3%

Source: GAO analysis of survey responses from GAO's two-phase Form 5500 stakeholders panel.

Note: Table shows service provider fee challenges for which 10 or more panelists indicated it was a "very significant" or "extremely significant"

^aCertain service providers are required to disclose fee information to plan fiduciaries of defined benefit and defined contribution pension plans to satisfy disclosure requirements under Title I of ERISA. See 29 U.S.C. § 1108(b)(2) and 29 C.F.R. § 2550.408b-2.

^bAccording to the 2012 Form 5500 instructions, "Soft dollar" compensation refers to research or other products or services received from a broker-dealer or other third party in connection with securities transactions.

^cForm 5500 is the annual report that employee benefit plans file with the federal government.

Form 5500 Service Provider Information Is Not Aligned with Other Plan Fee Disclosures

More than half of respondents indicated that Schedule C reporting misalignment with similar service provider fee disclosures required by ERISA—such as ERISA 408(b)(2) disclosures—as an extremely or very significant challenge³⁴ (see table 3). As we reported in 2009, this

³⁴ See 29 U.S.C. § 1108(b)(2) and 29 C.F.R. § 2550.408b-2.

misalignment creates competing sets of fee information for sponsors and service providers, contributes to confusion over what Schedule C requires, is time-consuming for plan sponsors to collect, and is costly for service providers to prepare.³⁵ One respondent noted that the confusion partly stems from the inconsistent definitions of indirect compensation—fees plans pay “indirectly” to service providers—for ERISA fee disclosures and Schedule C. Another respondent cited confusion among fund managers and plan recordkeepers over the ability for ERISA fee disclosures to satisfy the disclosure requirements for eligible indirect compensation, as defined in Schedule C.

The majority of survey respondents indicated that coordinating service provider compensation information on Schedule C with ERISA fee disclosure requirements would be a very positive change and only one respondent indicated this would be a very negative change (see appendix II). In 2009, we recommended that DOL coordinate revisions to the form with the publication of its final 408(b)(2) regulations to reduce the potential for additional costs and burden on service providers.³⁶ Although DOL agreed with our recommendation, the agency has not yet taken action to fully implement it.^{37, 38} DOL officials agreed that there is an ongoing need to better align Form 5500 service provider fee disclosures

³⁵ GAO, *Private Pensions: Additional Changes Could Improve Employee Benefit Plan Financial Reporting*, [GAO-10-54](#) (Washington, D.C.: November 5, 2009).

³⁶ [GAO-10-54](#), 21.

³⁷ DOL issued final 408(b)(2) regulations in 2012, but these regulations did not fully address our recommendation because no changes were made to harmonize the final 408(b)(2) service provider disclosures with Form 5500 schedule C service provider reporting requirements. See Reasonable Contract or Arrangement Under Section 408(b)(2) – Fee Disclosure, 77 Fed. Reg. 5632 (February 3, 2012)(codified at 29 C.F.R. pt. 2550) and Amendment Relating to Reasonable Contract or Arrangement Under Section 408(b)(2) – Fee Disclosure/Web Page, 77 Fed. Reg. 41,678 (July 16, 2012)(codified at 29 C.F.R. pt. 2550).

³⁸ In March 2014, DOL announced its intention to conduct focus groups to evaluate the effectiveness of 408(b)(2) fee disclosures. Proposed Information Collection Request Submitted for Public Comment; Evaluating the Effectiveness of the 408(b)(2) Disclosure Requirements, 79 Fed. Reg. 14,085 (March 12, 2014). This effort is being undertaken in connection with new amendments to the 408(b)(2) regulation DOL is also proposing. Amendment Relating to Reasonable Contract or Arrangement Under Section 408(b)(2) – Fee Disclosure, 79 Fed. Reg. 13,949 (March 12, 2014)(to be codified at 29 C.F.R. pt. 2550).

to plan sponsors and said they are considering addressing this issue as part of a joint DOL, IRS, and PBGC initiative to revise the form.

Challenges with Inconsistent Reporting of Compensation Types

Stakeholders identified various challenges to consistently reporting information on service provider compensation. Without consistent information, comparability across plans is limited and, therefore, identifying questionable fees may be difficult. Fourteen of 31 respondents indicated that unclear definitions of eligible indirect compensation, reportable indirect compensation, and direct compensation created a very or extremely significant challenge. According to a 2013 letter from the American Society of Pension Professionals & Actuaries (ASPPA) submitted to DOL, ASPPA members noted that there have been conflicting interpretations of the instructions for Schedule C. For example, one disclosure might reflect certain compensation and expenses of a mutual fund as reportable on one line of Schedule C, while another disclosure for the same type of payments might be reportable on a different line of Schedule C. This uncertainty results in the same types of information being reported inconsistently, as most preparers are not inclined to challenge where the disclosure should appear and, therefore, preparers typically report the information as it is provided to them. While this satisfies the plan's disclosure obligations, it produces incomparable and less reliable data. Adding to inconsistencies in fee reporting is continuing confusion with the rules on soft dollar disclosure.³⁹ Ten respondents indicated confusion about the rules on soft dollar disclosure was a very or extremely significant challenge. DOL officials said that it published frequently asked questions (FAQ) in 2009 and 2010 respectively, which included clarification on the reporting of soft dollar compensation, but some respondents indicated confusion and inconsistencies still exist.

Stakeholders also identified challenges with collecting compensation information from service providers. Eleven of 15 representatives of plan sponsors and their service providers responding to our survey indicated that receiving service provider fee information in differing formats is

³⁹ According to the 2012 Form 5500 instructions, "soft dollar" compensation refers to research or other products or services received from a broker-dealer or other third party in connection with securities transactions.

extremely or very challenging.⁴⁰ According to one preparer, the onus is on the plan sponsor and their preparers to collect the necessary information on Schedule C, since there is no requirement for service providers to report compensation information in a format similar to Schedule C.⁴¹ However, service providers may or may not interpret certain compensation as reportable, leaving DOL with incomplete and incomparable information. For example, service providers may not list certain breakdowns of compensation information in a format that is similar to the Form 5500. In addition, some forms of compensation are not included in information sent to plan preparers. One preparer said they may look at trust reports or public disclosures to try to determine compensation amounts, but compensation may not be reported in the format required for Schedule C and may not include all forms of indirect compensation. Furthermore, for indirect compensation to be considered “eligible” and thus reported on the Schedule C in a more limited fashion, the plan sponsor or plan administrator must receive written materials from the service provider. There is no requirement to send these materials to the plan preparer, so they often cannot independently verify disclosure requirements have been met.⁴² Ten of 31 survey respondents indicated that this was a very or extremely significant challenge. Further, in 2010, the Investment Company Institute stated in a letter to DOL that there is a lack of consensus within the mutual fund industry regarding disclosure requirements for documents provided to plan sponsors that would also fulfill eligible indirect compensation disclosure for Schedule C.

⁴⁰ Four of 11 researchers and 2 of 6 plan participant representatives indicated that receiving service provider fee information in differing formats is extremely or very challenging.

⁴¹ Covered service providers must disclose compensation and other information related to their service arrangements upon the request of the plan fiduciary or plan administrator of defined benefit or defined contribution plan; however, the format and the information disclosed follows ERISA 408(b)(2) requirements, which differs from Schedule C reporting requirements. See 29 C.F.R. § 2550.408b-2.

⁴² For indirect compensation to be considered eligible, the plan sponsor must receive written materials from the service provider that include: 1) the existence of indirect compensation, 2) services provided for this compensation, 3) formulas used to calculate the value of this compensation, 4) who received the compensation, and 5) who paid the compensation.

Challenges with Completeness of Service Provider Fee Information

Stakeholders also identified issues with the completeness of service provider and fee information. For example, plan sponsors must report the name, address, and the EIN of the service provider for eligible indirect compensation, but not the compensation amounts or services provided on Schedule C. Compensation categorized as eligible can encompass many services and a significant portion of compensation that plans and participants pay.⁴³ In addition, service providers may also choose to disclose only the formulas they use to determine reportable indirect compensation, making it difficult for sponsors to calculate fees or understand business arrangements. For example, information on revenue sharing arrangements can be provided in descriptive format and reporting may vary significantly from provider to provider. Fourteen respondents indicated that this was a very or extremely significant challenge. Plans with fewer than 100 participants are not required to complete a Schedule C (Service Provider Information). Furthermore, one respondent pointed out several other exceptions in the Schedule C reporting requirements that apply to large plans that have more than 100 participants. These include:

- stable value contracts⁴⁴ (filers are not required to report certain insurance company costs and expenses),
- service providers paid less than \$5,000 do not have to be listed,
- compensation reported on Schedule A, and
- group annuity contracts⁴⁵ and some associated fees may not be recorded.

⁴³ Types of indirect compensation that may be reported as eligible indirect compensation include fees or expense reimbursement payments charged to investment funds, finder's fees, "soft dollar" revenue, brokerage commissions or other transaction-based fees that were not paid directly by the plan or plan sponsor.

⁴⁴ A stable value contract is an insurance company general account investment that promises a guaranteed rate of return and takes into account various factors, including insurance company costs and expenses, in establishing the guaranteed crediting rate. DOL has said that such insurance company costs and expenses do not involve the insurer receiving reportable compensation for providing services, such as investment management services, for an investment fund portfolio in which the plan invests.

Given these various exceptions to fee reporting requirements, Schedule C may not provide participants, the government, or the public with information about a significant portion of plan expenses and limits the ability to identify fees that may be questionable.

Most stakeholders indicated that DOL should clarify Schedule C instructions so that plan fees are reported more consistently. Popular suggestions on how to achieve this included:

- improving instructions for direct, eligible indirect, and reportable indirect compensation (19 of 31 respondents said this would have a very positive impact),
- improving consistency between DOL's definition of direct compensation and generally accepted accounting principles (14 of 31 respondents said this would have a very positive impact), and
- eliminating any distinction between eligible and reportable indirect compensation (13 of 30 respondents said this would have a very positive impact).

See appendix II for a complete list of these and other top suggested changes related to fees based on responses from our two-phase online panel survey.

DOL officials said that the definition of indirect compensation was intentionally broad to ensure comprehensive reporting of hidden service provider fees. However, they agreed that further clarification of fee reporting is being considered as part of a joint DOL, IRS, and PBGC initiative to revise the form. In 2009, we recommended that asset-based fees should be explicitly reported.⁴⁵ We also recommended that DOL provide additional guidance regarding the reporting of indirect

⁴⁵ A group annuity contract is an annuity contract entered into by the owner for the benefit of a designated group, such as plan participants. Insurance companies frequently offer a range of investment alternatives for individual account plans through a group variable annuity contract between an insurance company and an employer on behalf of a plan. Variable annuities include one or more insurance elements, which are not present in other investment alternatives. Generally, these elements include an annuity feature, interest and expense guarantees, and any death benefit provided during the term of the contract. The variable annuity contract "wraps" around investment alternatives, often a number of mutual funds. In addition to investment management fees and administration fees, these contracts may also contain sales expenses, mortality risk charges, and the cost of issuing and administering contracts, as well as surrender and transfer charges.

⁴⁶ [GAO-10-54](#), 20.

compensation and require that all indirect compensation be disclosed. DOL generally agreed with our recommendations; however, these recommendations remain open.

Challenges with Service Codes

Stakeholders also identified inconsistent reporting of service codes used to describe the types of services provided and compensation received by service providers as a challenge. Thirteen of 31 survey respondents indicated inconsistent reporting of service codes on Schedule C was a very or extremely significant challenge. Without definitions for each service code, the filing community may interpret these codes differently, creating incomparable information across filings. Preparers must select from 55 service codes, and one respondent said that several service codes appear to overlap making it difficult to understand the differences between service codes without more guidance. Plan sponsors and their preparers primarily rely on the service codes that service providers submit, and sometimes service providers report only one code regardless of the number of services they provide. Other service providers break out compensation by service codes, creating a record in Schedule C for each service code instead of including several service codes in one entry which can result in double-counting. One preparer said they may look at the service provider contracts to determine what services were provided and what corresponding service codes to include, but the contracts do not always reflect all the services provided or provide compensation amounts attached to those services. Thirteen of 29 respondents indicated that reducing and simplifying the number of service codes and adding definitions would be a very positive change. Recently, ASSPA offered an example of simplified service codes that could be a model to agency officials.⁴⁷

⁴⁷ See ASSPA's website (<http://www.asppa.org/Resources/Comment-Letters>).

DOL, IRS, and PBGC Face Administrative, Statutory, and Contractual Challenges to Collecting More Useful Form 5500 Information

Agencies' Administrative Processes for Revising the Form and Limited Efforts to Solicit Stakeholder Input Pose Challenges

DOL, IRS, and PBGC stated that the process for making form changes is lengthy and involved, and also noted that it varies by agency. DOL officials noted their view that any material changes to the Form 5500 require the use of the informal rulemaking process under the Administrative Procedure Act (APA), which they said can be a time and resource intensive process.⁴⁸ IRS and PBGC on the other hand view the form as a data collection instrument and handle changes to the form in compliance with the Paperwork Reduction Act (PRA). Regardless of whether any changes are made to the form, under PRA, each agency is required to solicit public comments on proposed collections of information, such as Form 5500, every 3 years.⁴⁹ However, officials from each agency noted that the comments they receive through the PRA process are generally limited because the notice is focused on reducing respondent burden. As a result, DOL officials told us these comments are not typically useful in gaining insight into the retirement industry's perception of the challenges they experience with the Form 5500.

⁴⁸ According to DOL officials, streamlining the rulemaking process to make it more flexible and timely is something they will seek to address as part of their 21st Century Initiative.

⁴⁹ Before requiring or requesting information from the public, the PRA requires federal agencies to (1) seek public comment on proposed collections and (2) submit proposed collections for review and approval by OMB. OMB's Office of Information and Regulatory Affairs reviews agency information collection requests for approval or disapproval. Under PRA, OMB may approve collection for up to 3 years at a time. To extend the expiration date of a collection, an agency must provide the public with an opportunity to comment on the continuation of the collection and resubmit the information collection request.

Brief Summary of the Informal Rulemaking Process under the Administrative Procedure Act (APA)

Making changes to the Form 5500 using the informal rulemaking process requires a number of steps, including, but not limited to, the following:

- **Agency Develops Proposed Rule:** The agency drafts a notice of proposed rulemaking which proposes to add, change, or delete regulatory text. Proposed rules determined to be “significant” are subject to review by OMB.
- **Publication of Proposed Rule and Request for Public Comment:** Proposed rules are published in the *Federal Register* and include a request for public comment. The standard comment period is 60 days.
- **Agency Prepares the Final Rule:** In developing the final rule, the agency considers comments submitted by the public in response to the proposed regulation. The final regulation sets forth the regulatory changes and may vary from the proposed rule. Final rules determined to be “significant” are subject to review by OMB prior to their publication in the *Federal Register*.
- **Publication of Final Rule:** The final regulation is published in the *Federal Register*.

Source: GAO analysis of 5 U.S.C. § 553 and The Reg Map Informal Rulemaking, ICF Consulting with the cooperation of the U.S. General Services Administration’s Regulatory Information Service Center, available at: <http://www.reginfo.gov/public/reginfo/Regmap/index.jsp>.

Through a separate effort, IRS also solicits input from stakeholders through the Information Reporting Program Advisory Committee (IRPAC), which consists of members of the IRS tax form professional community, such as accounting firms and financial services firms, and meets approximately five times a year to discuss issues with all IRS forms. Published IRPAC reports for the last 3 years have included only one recommendation related to making material changes to the Form 5500.⁵⁰ In addition, according to PBGC, the Intersector Group, which is composed of representatives from the American Academy of Actuaries, Society of Actuaries, Conference of Consulting Actuaries, and ASSPA, meet twice a year with PBGC and IRS to discuss regulatory and other issues affecting pension practice, including issues involving the Form 5500.

The agencies also use informal methods to solicit stakeholder feedback, but do not systematically collect feedback on an ongoing basis. Officials noted that they attend industry conferences and other venues throughout the year to maintain an informal, ongoing communication with the filing community and often receive comments or suggestions for changes to the form. Additionally, DOL and IRS have call centers that handle questions related to the form, although we found the information collected from these calls was limited. Specifically, DOL officials told us they only collect substantive data on more complex questions call center staff are unable to answer. These calls—representing about 10 percent of calls—are forwarded to DOL’s Office of the Chief Accountant. Similarly, IRS officials noted that the call centers do not track substantive data on the types of questions received and call center staff do not answer specific questions on the Schedules, but may forward them to knowledgeable IRS officials. These officials track information on the questions they receive, which can be used to gain some insight into issues such as lack of form clarity. While PBGC does not have its own Form 5500 call center, the DOL call center forwards specific questions or issues to PBGC. However, officials from all three agencies noted that calls are not generally about suggesting changes to the form. In addition to using call centers, stakeholders may choose to provide the agencies comments on various aspects of the form at any time. DOL provided us with a few examples of letters they received from stakeholders regarding suggested

⁵⁰ The 2010 IRPAC Annual Report contained a recommendation for IRS to clarify the rules and procedures for obtaining EINs for qualified plans and trusts, including encouraging plan sponsors to obtain a trust EIN for qualified plans.

improvements. These letters included suggestions also mentioned by our panelists, including aligning service provider fee disclosure requirements and standardizing plan asset reporting.

Despite agencies' efforts to solicit stakeholder input through rulemaking and other means, stakeholders expressed concerns about their ability to fully participate in the Form 5500 change process. Specifically, several made the following observations about the agencies' efforts to solicit input:

- agency officials are not clearly conveying to stakeholders at conferences and other venues that they wish to solicit feedback and comments;
- the agencies' overall efforts to solicit informal input is not apparent;
- DOL and IRS did not appear interested in the thoughts of the filing community regarding changes to the form; and
- DOL and IRS generally do little to solicit input from non-government stakeholders even when taking into consideration the notice and comment process, although the agencies solicit direct input from stakeholders on an ad hoc basis.

Additionally, while the agencies have solicited comments through rulemaking processes and other means, several found that these methods do not necessarily allow the public to contribute to changes that would be most beneficial for non-federal stakeholders. One stakeholder stated that it would be beneficial if the agencies consulted both preparers and the employee benefits plan industry early in the development of changes using focus groups and other means of advance testing. However, none of the agencies have used advance testing methods, such as focus groups, in-person observations, or users' perception of forms and questions, to obtain non-governmental stakeholder input into changes to the form, despite recent OMB guidance advising such a process be used for complex forms. While DOL officials did not view these techniques as helpful—stating that it would add costs and time and that they were not sure it would help gather constructive, actionable feedback from the filing community—the agency has used focus groups in the rulemaking process to improve the readability of disclosure

notices.⁵¹ IRS officials have also noted the potential value in using advance testing methods, stating that some agency sections use these methods in the development and revisions of tax forms and that IRS was willing to consider it for the Form 5500. Further, officials noted that the IRS considered advance testing when developing an annual report pension plans file to identify separated participants with deferred vested benefits, although they ultimately decided to use a notice and public comment process.⁵² The agency revised the instructions the year after the form was adopted due to confusion that one official noted may have been avoided had the form been advance tested.

Statutory Prohibition on Mandatory Electronic Filing Limits IRS Information Collection on the Form 5500

The IRS has significantly limited its Form 5500 data collection due to a statutory prohibition on mandatory electronic filing. Currently, the IRS is prohibited by statute from requiring persons who file fewer than 250 returns annually to submit information electronically, with limited exceptions.⁵³ Consequently, IRS removed all information collected exclusively for its benefit from Form 5500 once DOL moved the form to an exclusively electronic filing platform in 2010. As a result, some IRS-only information is no longer collected in any manner, while other information that IRS is statutorily required to collect was moved to newly created paper-based forms. For example, information on minimum coverage—used to determine whether employees that qualify for retirement benefits are properly included—is no longer collected. Conversely, the IRS issued Form 8955-SSA starting in plan year 2009 to satisfy its statutory obligation to provide these data for the Social Security Administration (SSA).

⁵¹ Most recently, in a March 2014 Federal Register Notice DOL announced it will conduct focus groups to evaluate the effectiveness of 408(b)(2) fee disclosures. Proposed Information Collection Request Submitted for Public Comment; Evaluating the Effectiveness of the 408(b)(2) Disclosure Requirements, 79 Fed. Reg. 14,085 (March 12, 2014). This effort is being undertaken in connection with new amendments to the 408(b)(2) regulation DOL is also proposing. Amendment Relating to Reasonable Contract or Arrangement Under Section 408(b)(2) – Fee Disclosure, 79 Fed. Reg. 13,949 (March 12, 2014)(to be codified at 29 C.F.R. pt. 2550).

⁵² These tests involved Form 8955-SSA (Annual Registration Statement Identifying Separated Participants With Deferred Vested Benefits), which IRS administers on behalf of the Social Security Administration.

⁵³ 26 U.S.C. § 6011(e).

Since IRS has stopped collecting certain data elements using the Form 5500, it has expressed concerns about its ability to effectively conduct enforcement activities and to remain current with any statutory and other changes to plans. Further, IRS enforcement officials told us they are no longer able to include data that had been collected via the Form 5500 in the risk models used to identify plans for audits. The Department of the Treasury Inspector General for Tax Administration (TIGTA) examined this issue in 2011 and found that information formerly collected was used to:

- identify abusive transactions,
- identify funding or minimum coverage requirements issues, and
- conduct special projects to target potentially noncompliant retirement plans.⁵⁴

Both TIGTA in its report and IRS officials were concerned that the lack of these data would impact IRS' ability to effectively focus on specific indicators of noncompliance when selecting plans for examination. Specifically, officials noted such information would allow them to better identify noncompliant plans which would, in turn, reduce plan burden and unnecessary examinations. IRS officials also told us that it has resorted to obtaining much of these data while conducting audits rather than to inform the selection of plans to audit, preventing them from taking an efficient risk-based approach to enforcement. Additionally, IRS officials were concerned that their inability to require electronic data collection further hindered their ability to enforce tax provisions that also serve to protect pension benefits, as they are unable to revise the form to collect new plan data critical to compliance and enforcement.

Although officials stated that anything short of a statutory change would fall short of achieving the full efficiency of mandatory electronic filing, IRS has made other efforts to foster electronic filing and to allow for more flexibility in making changes to the form.⁵⁵ Specifically IRS has:

⁵⁴ Treasury Inspector General for Tax Administration (TIGTA) report, *The Employee Plans Function Should Continue Its Efforts to Obtain Needed Retirement Plan Information*, September 20, 2011, 2011-10-108.

⁵⁵ Federal laws and regulations also prescribe the conditions that must be met for plans sponsors to use electronic means to provide disclosures to plan participants. For more information on that topic see GAO, *Private Pensions*:

-
- negotiated with DOL to use the form to collect some data that would be of interest to IRS (pursuant to DOL's authority in light of the limitation on IRS's authority),⁵⁶
 - included in the past 4 years of the President's Budget Request, a legislative proposal to provide Treasury with the authority to require additional information be included in electronically filed Form 5500 annual reports, and⁵⁷
 - initiated regulatory action governing electronic filing by proposing in August 2013 regulations that would require electronic filing for plan sponsors and others who file more than 250 returns annually.⁵⁸

Despite these efforts, IRS officials noted that the agency is still required to maintain a parallel paper filing system for those who file fewer than 250 returns annually and do not voluntarily elect to file electronically. The processing of paper Form 5500s was proven to be more burdensome and inaccurate. In June 2005, we found that paper-based processing took three times longer and had twice as many errors than electronically processed returns.⁵⁹ Additionally, while the IRS has a goal to receive 80 percent of all major tax types of tax returns electronically, the Form 5500, which is filed electronically with DOL, is not included in this goal. For the private plan data IRS continues to collect, such as the Form 8955-SSA and the Form 5500-EZ, IRS maintains both paper and electronic

Revised Electronic Disclosure Rules Could Clarify Use and Better Protect Participant Choice, [GAO-13-594](#) (Washington, D.C.: September 2013).

⁵⁶ While IRS officials noted that not all their negotiations with DOL were successful, they were able to add questions related to ESOP on the Schedule R under DOL authority as these were issues also under the agency's jurisdiction.

⁵⁷ Department of Treasury, Congressional Justifications of Appropriations for FY 2015, 2014, 2013, and 2012.

⁵⁸ Employee Retirement Benefit Plan Returns Required on Magnetic Media, 78 Fed. Reg. 53,704 (Aug. 30, 2013)(to be codified at 26 C.F.R. pt. 301). The comment period closed on October 29, 2013. IRS has not yet issued the final regulation.

⁵⁹ [GAO-05-491](#).

systems—with paper potentially costing over 20 times more than electronic.⁶⁰

Agencies' Concerns with Contractual Costs Limits Action on Desirable Form Changes

DOL, IRS, and PBGC have identified form changes that would improve data collection, but have made limited changes under the current EFAST2 contract. The tri-agency Form 5500 working group meets regularly to identify and discuss annual changes to the form; however, as DOL officials noted, the working group is not a decision-making body, and the ultimate decision to make changes—with any associated administrative and fiscal burdens—comes from each agency's various authorities. According to IRS and DOL officials, in 2010 the agencies agreed to impose a "no change year" where they disallowed material changes that would need to be pursued through the rulemaking process based on the desire for the EFAST2 contractor to focus on any problems associated with the new system roll out. After 2010, according to DOL, each agency could independently request form changes at their discretion based on their respective authority, budget, and policy considerations and constraints. However, IRS cannot currently make changes to the electronic form under the EFAST2 contract because the agency is statutorily prohibited from requiring electronic filing. Generally, the agencies have made minimal changes to the plan investment and service provider fee information in the form. According to a recent DOL IG report, from fiscal years 2010-2012, the tri-agency Form 5500 working group proposed 13 form changes of which 7 were adopted. Adopted changes were minor or pursuant to new laws.⁶¹ The working group is finalizing its revisions for 2014, and has begun its discussions for 2015.

⁶⁰ In November 2013, we issued a report examining required pension plan reports and disclosures and recommended that Congress consider legislation shifting the responsibility and necessary resources of collecting Form 8955-SSA information to DOL, which has the authority to require electronic collection. See [GAO-14-92](#). A statutory change that would authorize IRS to require electronic filing of Form 5500 information would negate the need to shift this responsibility.

⁶¹ According to DOL, they engaged in notice and comment rulemaking process to add questions regarding Form M-1 Compliance by group health plans beginning with plan year 2013 to address statutory changes made to ERISA by the Patient Protection and Affordable Care Act. Also, IRS and PBGC made focused changes to the Form 5500 actuarial schedules. Also, in 2010 the agencies made form and instruction changes in response to industry requests for an "e-signature alternative" that allows a third party service provider to register for Form 5500 filing and signing credentials.

While officials from DOL and PBGC stated that they could elect to make changes to the form under the current EFAST2 contract, specific contractual limitations apply. The contract provides that the contractor shall update and adapt EFAST2 to accommodate changes in the form from plan year to plan year. The contract further provides that the contractor is responsible for changes that are “typical” in number and substance. Specifically, the contract provides that typical changes are generally minor and related to system functionality. Under the current contract, the contractor is responsible for implementing a typical level of no-cost annual changes into the system at no additional cost to the government. For example, the agencies did not incur additional costs for the seven minor or legislative changes made by the tri-agency working group between fiscal years 2010 and 2012. However, the contract stipulates that in the event of non-typical changes, the contractor and government shall work collaboratively to determine an approach for working through the contractual and/or cost implications.

Given the potential additional associated costs with non-typical changes, among other reasons, DOL and PBGC officials generally expressed reluctance to make desirable changes, including those identified during the annual tri-agency review. While DOL, IRS, and PBGC officials expressed concern that non-typical changes would be costly, none of the agencies have obtained cost estimates for potential changes.⁶² Despite this lack of information on potential additional costs, agency officials have determined that any cost above the current contract costs would be considered too costly to implement. For example, in addition to the added cost of making non-typical changes, DOL officials noted that accommodating such changes to the Form 5500 into EFAST2 would require contract modifications. Agency officials also noted that they view the contract provision related to non-typical changes as inflexible, despite the ability to negotiate these changes and associated costs. To address these concerns, DOL officials told us that as part of their 21st Century initiative, they have begun to prepare for the next contract, scheduled for 2020, and are considering various contractual and system developmental methodologies that could provide more flexibility in adjusting the

⁶² According to PBGC, while the agencies have inquired with the DOL’s EFAST Program Management Office and the EFAST2 contractor to request cost estimates, they ultimately decided not to obtain those estimates because of the additional costs that would be incurred to obtain those cost estimates, as well as the fact that cost estimates may not be accurate.

processing system to accommodate significant forms changes. However, officials noted that such additional flexibility would likely increase the cost of the contract.

Conclusions

The Form 5500 is the primary source of information covering \$6.35 trillion in pension assets in plan year 2011 and the over 130 million participants and beneficiaries relying on these funds for a secure retirement. For years, we and others have raised concerns regarding the data collected via the Form 5500. The challenges identified by our broad-based panel, while not generalizable to the broader filing community, provide insight into the difficulties that preparers, researchers, and participant advocates still face with respect to reporting and analyzing critical information on plan investments and fees. The challenges preparers expressed are particularly troubling as DOL and IRS depend on this information to conduct crucial compliance and enforcement activities. As OMB guidance has suggested, poorly designed and unduly complicated forms can prove difficult and confusing to complete. Moreover, if enforcement agencies are working from incomplete, inconsistent, and incomparable data to understand, assess, and oversee plans, vital enforcement activities may be at risk. Despite these long-standing concerns, agency officials have made only routine changes to the plan investment and service provider fee information in the form over the last 3 years.

While the rulemaking process and other informal efforts to solicit stakeholder input have provided opportunities for public reaction to proposed changes to the form, these opportunities have been limited and they have not, as OMB guidance suggests, allowed for sufficient input to help shape changes to the form. This input could reduce the agencies' costs of making subsequent changes, improve filer comprehension, and increase the comparability and reliability of data provided. In addition, it is important that all agencies have the authority to require useful information be collected in a more efficient electronic reporting format. Electronic filing would present an opportunity to reduce costs and potential errors, increase the quantity and quality of information available, and allow for more timely use of the data in protecting the retirement security of 130 million participants. IRS currently lacks the authority to fully address this challenge and, without legislative intervention, will not have all the information it needs to protect the nation's retirement assets. The 21st Century Plan initiative provides a unique opportunity to address long-standing challenges, identify ways to meet the needs of both federal and non-federal stakeholders, and significantly improve the efficiency, usefulness, and integrity of the information collected. However, the

inherent risks of incomplete, inconsistent, and incomparable data warrant immediate action and, as the only nationally-representative data on over \$6 trillion in employee benefits, it is critical that these data be of the highest quality.

Recommendations for Executive Actions

To improve the usefulness, reliability, and comparability of Form 5500 data for all stakeholders while limiting the burden on the filing community, we recommend the Secretaries of DOL and Treasury, and the Director of PBGC consider implementing the findings from our panel when modifying plan investment and service provider fee information, including:

- revise Schedule H plan asset categories to better match current investment vehicles and provide more transparency into plan investments;
- revise the Schedule of Assets attachments to create a standard searchable format;
- develop a central repository for EIN and PN numbers for filers and service providers to improve the comparability of form data across filings;
- clarify Schedule C instructions for direct, eligible indirect, and reportable indirect compensation so plan fees are reported more consistently and, as we recommended in the past, better align with the 408(b)(2) fee disclosures; and
- simplify and clarify Schedule C service provider codes to increase reporting consistency.

To ease the burden on preparers and ensure the collection of consistent and reliable data, we recommend that the Secretaries of DOL and Treasury, and the Director of PBGC conduct advance testing—such as focus groups, in-person observations and users’ perception of forms and questions—as appropriate and before proposing major changes to the form for public comment, in addition to its other outreach efforts.

Matter for Congressional Consideration

To improve IRS’s enforcement and compliance efforts, decrease the administrative and financial burden of maintaining both electronic and paper-based form processing systems, and reduce plan reporting costs, Congress should consider providing the Department of the Treasury with the authority to require that the Form 5500 series be filed electronically.

Agency Comments and Our Evaluation

We provided a draft of this report to DOL, Treasury, and PBGC for review. PBGC generally agreed with our recommendations. DOL and Treasury did not state whether they agree or disagree with our recommendations; but, they stated that actions are underway that would address our first recommendation. GAO continues to believe the recommendations are still valid. DOL, Treasury, and PBGC comments are reproduced in appendices IV, V, VI respectively.

PBGC agreed with our first recommendation and stated that the form's current plan asset categories do not provide users with the means to identify the nature of plan investments and the level of investment risks, adding that improvements in this area are critical to PBGC's efforts to protect and sustain their insurance programs and monitor plan financial status. PBGC also stated it will work with Treasury and DOL as part of the 21st Century Initiative to address challenges identified in our report. DOL and Treasury did not state whether they agreed or disagreed with the recommendations. DOL stated that in 2013 DOL, Treasury, and PBGC initiated an overall re-examination of the Form 5500, as part of the 21st Century Initiative, whose scope includes all of our recommendations for improvement of Form 5500 plan investment and service provider fee information. While we agree that the 21st Century Initiative was formed during our review in 2013, DOL only provided internal deliberative materials that reflected preliminary thoughts on possible areas for change in the form. Furthermore, our recommendation calls for more than just identification of potential improvements, it calls for action to be taken by the agencies to implement these modifications to the form. Treasury noted that the concerns identified in our study appear valid and the 21st Century Initiative would address some of the suggested changes in our recommendation. However, Treasury noted that it would defer to DOL on suggested changes to service provider fee information since Schedule C is solely within DOL's jurisdiction. Regarding developing a central repository of Employer Identification Numbers and Plan Numbers, Treasury said that it could improve the comparability of form data across filings and it would need to evaluate the impact of this recommendation in light of major, ongoing initiatives across the IRS to reduce the risk of identity theft and protect taxpayer privacy.

PBGC agreed with our second recommendation, and stated that it would work with DOL and Treasury to explore options to conduct advance testing when making revisions to the form. Treasury and DOL did not state whether they agreed or disagreed with the recommendation. Treasury said it would consult with DOL and PBGC on the potential benefits and costs of conducting advance testing before proposing

changes to the form. DOL noted that advance testing can be helpful in some cases, but expressed concerns that conducting advanced testing of Form 5500 changes would require additional expense and delay in their lengthy process of making changes to the form. DOL said that changes to the form already include a very transparent and public process of notice and comment rulemaking. However, as noted in the report, stakeholders we spoke to expressed concerns about their ability to fully participate in the Form 5500 change process, noting that agency efforts to solicit feedback were not apparent. DOL also stated that success of the Form 5500 depends on the careful management of software, technology, procurement, and regulatory structures and input from the Form 5500 reporting community, which includes a myriad of stakeholders. It is for these reasons that we believe DOL, Treasury, and PBGC should undergo advance testing prior to proposing major changes to the form. Such input could help ensure that any changes are understood by the service provider and filing community to improve the reliability of the information reported, potentially reduce the burden of annual reporting, and provide greater transparency to all users of form data. We recognize the complexity involved in making changes to the Form 5500 and the variety of stakeholders affected by any changes. Because of this complexity, we feel that it is important to increase input from non-government stakeholders to minimize misunderstanding and confusion and reduce the need to make additional revisions to changes after they are implemented in various systems. This outreach would also have the added bonus of increasing user awareness and understanding of what the form requires.

In responding to our draft report, DOL also expressed concern regarding our characterization of recent changes to the Form 5500. Specifically, DOL stated that the report criticizes the agencies for making “minimal changes to the form over the last 3 years” and asserts that the process of making form changes has largely been impeded by “reluctance” on the part of the agencies to engage in negotiations with the contractor that operates the EFAST2 about the possible costs of such changes. DOL stated that the Form 5500 recently was subjected to a major public notice and comment revision in connection with the agencies’ move to a wholly electronic form processing system (EFAST2), and identified other important changes that have occurred over the 3 year time period referenced in our report. However, the changes mentioned in DOL’s comments do not relate to Form 5500 plan investment and service provider fee information. Nonetheless, we amended our report to include these actions taken by the agencies to make changes to other areas of the form. In our report we acknowledge that the agencies face significant administrative, statutory, and contractual challenges to collecting and

revising the Form 5500. For example, we noted DOL's lengthy informal notice and comment rulemaking process under the Administrative Procedure Act (APA) as well as Treasury's statutory prohibition on mandatory electronic filing. As we noted in the report, while DOL, IRS, and PBGC officials expressed concern that non-typical changes would be costly, none of the agencies have obtained cost estimates for potential changes.

Each agency also provided technical comments, which we incorporated as appropriate.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to the Secretary of Labor, Secretary of the Treasury, and Director of the Pension Benefit Guaranty Corporation. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-7215 or jeszeckc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VII.

Sincerely yours,



Charles A. Jeszeck, Director
Education, Workforce, and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

Our study sought to examine the following research objectives:

1. Aspects of the Form 5500 Annual Return/Report of Employee Benefit Plan (Form 5500) information on plan investments stakeholders find problematic,
2. Aspects of the Form 5500 information on service provider fees stakeholders find problematic,
3. Challenges the Department of Labor (DOL), the Department of the Treasury's Internal Revenue Service (IRS), and the Pension Benefit Guaranty Corporation (PBGC) face in collecting and revising key annual reporting information on plan investments and service provider fees needed from plan sponsors.

To address these research objectives, we used various databases and search tools to identify agency, industry, and academic publications and notices on Form 5500 reporting requirements. We also reviewed regulations and agency guidance on changes to these requirements. We focused our review on our key objectives: disclosure requirements regarding plan investments and service provider fees. This research helped us develop key themes for our two-phase survey of non-government stakeholders. Additionally, we reviewed relevant federal laws, regulations, and agency documentation and guidance related to the administration and maintenance of the Form 5500 series, including proposed rules, documentation of current initiatives aimed towards Form improvement, and the ERISA Filing Acceptance System (EFAST2) vendor contract.

To address the research questions in terms of recent changes to Form 5500's disclosure requirements and possible issues related to the form, we conducted interviews with knowledgeable individuals and organizations and reviewed relevant agency documents. Specifically, we conducted interviews with relevant officials at DOL, IRS, and PBGC. We also conducted interviews with non-government parties who interact with the Form 5500 in different ways—representatives of plan sponsors, service providers, retirement consultants, attorneys, and researchers—to learn how they use the form and what recent challenges, if any, they have encountered. In addition, we reviewed a nonrepresentative sample of 20 Form 5500 Annual Return/Report filings—10 defined contribution plan filings and 10 defined benefit plan filings—from the DOL's 2012 Freedom of Information Act EFAST2 Form 5500 data set to find potential examples of some of the challenges identified by non-government Form 5500

stakeholders. Specifically, we limited our universe of plan filings based on the following criteria:

- filings with plan year ending in calendar year 2012,
- filings for a defined benefit or defined contribution plan,
- filings that included a Schedule C, H, and a Schedule of Assets Attachments, and
- filings that have a non-zero value in the “Other” plan asset category in Schedule H.

Based on these criteria, our universe included 4,782 defined contribution plans and 1,361 defined benefit plans. Then, we randomly selected 10 records from defined benefit plans and defined contribution plans from the universe for review. We chose to pull our sample from the Form 5500 dataset for the 2012 plan year because it was the most current and accurate dataset available as of December 2013. To assess the reliability of DOL’s data, we conducted data reliability discussions with EBSA officials to understand the limitations to the data and ensure we were using the correct variables to develop our universe of plans to sample. We found the dataset to be sufficiently reliable for the purposes of our study.

Two-phase Online Panel Survey

To further address the first and second research questions, we gathered the opinions of a non-representative sample of professionals outside government who interact with the Form 5500 or rely on it in their work by conducting a two-phase questionnaire survey of a panel of 43 non-government stakeholders. We identified initial candidates for this panel from the following sources:

- Contacts developed from past reports related to employee benefit plan investment and service provider fee information,
- Participants in our 2011 and 2012 Comptroller General’s Retirement Security Advisory Panel sessions,
- Form 5500 users identified by the DOL
- Large pension and investment plan administrators and plan consultants, and
- Contacts obtained during interviews and research for our present study.

To ensure we had a range of views in our panel, we identified stakeholders from several backgrounds: representatives of plan sponsors, participants, and service providers; researchers and academics; and other subject matter experts from relevant national organizations. We contacted an initial list of 102 stakeholders to explain our research, invite them to participate in our panel, and ask for the names of other potential panelists who may have had expertise in this area. This allowed us to both expand our initial list of potential panelists and to validate the relevance of the potential panelists we had already identified. To be eligible for the panel, we required stakeholders to have at least 5 years of experience with Form 5500. We categorized eligible panelists into one of three groups: representatives of participants, representatives of plan sponsors and their service providers, and researchers. Of the 102 stakeholders we contacted, 43 stakeholders were eligible and agreed to participate in our two-phase panel survey. Panelists had an average of 16 years experience with the Form 5500. In the first phase, we asked this sample of panelists to identify challenges with the Form 5500 plan investment and service provider fee data collection, and to suggest changes that could improve the efficiency, clarity, and usefulness of those data. We compiled their answers and aggregated them into lists of distinct challenges and suggested changes. In the second phase, we asked panelists to rate the importance and potential impact of those challenges and suggested changes respectively. The numbers of panelists surveyed and the sample outcomes of this non-probability sample over both phases are shown in table 4. Additional details of the design and administration of the two phases are provided below.

Table 4: Participation by Form 5500 Stakeholder Type Throughout Two-phase Online Panel Survey

	Plan Participants	Plan Sponsors and their Service Providers	Researchers	Total
Initial sample	14	16	13	43
First phase				
Contacted for first phase (updated roles ^a)	11	18	14	43
Ineligible ^b	2	0	0	2
No response	2	1	3	6
Completed first phase	7	17	11	35
Second phase				
Contacted for second phase	7	17	11	35
No response	1	2	0	3
Completed second phase	6	15	11	32

Source: GAO summary of participation in GAO two-phase Form 5500 stakeholder panel.

^aDuring our initial contacts with sampled panelists, we determined that of three stakeholders initially self-identifying their primary roles as plan participants, two were best categorized as plan sponsors and one as a researcher.

^bWe determined two panelists were ineligible because they didn't meet our minimum requirement of having 5 years with the Form 5500

In the first phase of the survey, which was conducted from May 28th to July 9th, 2013, we asked panelists questions about their roles and experiences related to Form 5500 and asked them to describe, in two open-ended questions, any specific challenges that (1) plan investment information, and (2) service provider and fee information collected on the Form 5500 presented for their work. We then asked them, in two corresponding open-ended questions, to suggest potential changes to improve the form. The wording of the four key open-ended questions is presented in table 5 below.

Table 5: Key Questions from the Phase 1 Online Questionnaire from the Two-Phase Form 5500 Stakeholder Panel

Plan investment questions	
1	What, if any, CHALLENGES does the <u>plan investment information</u> currently required to be reported on the Form 5500, including Schedules and attachments or related instructions, present for your work? This includes plan investment information on Schedules A, D, H, or I, or any other part of the Form 5500. Examples of challenges include the Form's instructions being unclear, requiring information in a format that is inconsistent with industry reporting practices, reporting some data in a way that hinders your research, or omitting details that would be helpful in your understanding of a plan's financial status. Please describe one issue per row below. The boxes in the web form will expand as you type
2	What, if any, CHANGES to the Form 5500 <u>plan investment information</u>, including Schedules and attachments or related instructions, would you suggest to <u>improve the clarity, efficiency, or usefulness</u> of plan investment information for your work? This includes plan investment information on Schedules A, D, H, or I, or any other part of the Form 5500. Suggestions can include additions, deletions, or other changes. <u>These changes can be unrelated to the challenges you mentioned earlier.</u> Please provide one suggestion per row below. The boxes in the web form will expand as you type.
Service provider fee questions	
3	What, if any, CHALLENGES does the <u>service provider and fee information</u> currently required to be reported on the Form 5500, including Schedules and attachments or related instructions, present for your work? This includes service provider and fee information on Schedules A or C or any other part of the Form 5500. Examples of challenges include the Form's instructions being unclear, requiring information in a format that is inconsistent with industry reporting practices, reporting some data in a way that hinders your research, or omitting details that would be helpful in your understanding of a plan's financial status. Please describe one issue per row below. The boxes in the web form will expand as you type.
4	What, if any, CHANGES to the Form 5500 <u>service provider and fee information</u>, including Schedules and attachments or related instructions, would you suggest to <u>improve the clarity, efficiency, or usefulness</u> of service provider and fee information for your work? This includes service provider and fee information on Schedules A or C or any other part of the Form 5500. Suggestions can include additions, deletions, or other changes. <u>These changes can be unrelated to the challenges you mentioned earlier.</u> Please provide one suggestion per row below. The boxes in the web form will expand as you type.

Source: Phase 1 online questionnaire from the Two-Phase Form 5500 Stakeholder Panel.

Thirty-five of the 43 panelists completed the first phase of the survey, and two of the original panelists had been determined ineligible during the survey due to insufficient experience with the form, resulting in an 85 percent response rate. Panelists who did not complete the first phase were dropped from the panel and did not participate in the second phase.

We performed a content analysis on responses from the first phase to the four open-ended questions to aggregate responses into lists of distinct challenges and suggested changes. Two GAO analysts developed an initial coding scheme and coded each of the participant's responses together and, when necessary, the coding scheme was updated to reflect participants' responses. We re-contacted respondents when a response to be coded was unclear. Any disagreements in coding decisions were discussed until consensus was reached. A third GAO analyst reviewed a sample of the coded responses to check the validity of the coding decisions. We used the lists of coded answers to each of the four survey

questions to develop closed-ended rating questions for the second phase of the survey.

In the second phase of the survey, which was conducted from October 23rd to December 11th, 2013, we asked each panelist to rate the significance of the challenges and the impact of the suggested changes the panel had collectively identified in the first phase. Specifically, in the second phase panelists were asked whether each potential challenge was “Not at all,” “Slightly,” “Moderately,” “Very,” or “Extremely” significant or if they had “No basis to judge,” and were asked whether each suggested change would have “Very negative,” “Somewhat negative,” “Neutral,” “Somewhat positive,” or “Very positive” impact or if they had “No basis to judge.” Usable responses were provided by 32 of the 35 participants in the second phase, resulting in an overall response rate of 78 percent across both phases. Because the surveys were not administered to a probability sample of all Form 5500 stakeholders, the results cannot be statistically generalized to all Form 5500 stakeholders; the results describe only the experiences and opinions of the stakeholders we included in our panel. Tabulations of the results of the Phase 2 ratings and corresponding question wording are presented in appendix II.

We administered both phases of the survey over the Internet. For both phases, we sent each stakeholder an email invitation to complete the survey on a GAO web server using a unique username and password. Because our sample of panelists constituted the entire, unique population of stakeholders we had identified, the survey results are not subject to sampling error. However, the practical difficulties of conducting any survey may introduce other errors. We took steps to minimize errors in measurement, from nonresponse, and in data processing.

To minimize the risk of measurement error, we designed draft questionnaires for both phases in close collaboration with GAO survey specialists. Two independent GAO staff members familiar with Form 5500 provided technical comments on the draft questionnaires. We pretested the questionnaires in paper form with 5 individuals representing the range of our stakeholders (representatives of plan sponsors and their service providers, representatives of plan participants, and researchers). We made revisions of the questionnaires based on these efforts before we finalized the surveys. We applied eligibility criteria in the selection of our panelists to ensure that they had sufficient qualifications for their role. We performed quality checks on response data to identify and edit specific response errors.

To reduce the impact of nonresponse error, panelists received several emails and phone calls encouraging them to complete the surveys. To increase participation and the validity of answers, panelists were informed that their personally-identifiable information would not be linked to their responses during the survey nor in the final report. We examined the distribution of those not responding across the three stakeholder categories in the survey population, and determined that response rates did not differ markedly across them. A second analyst checked the accuracy of all computer analyses to minimize the likelihood of errors in data processing.

We conducted our work from November 2012 to June 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Selected Results for Suggested Changes to Plan Investment and Service Provider Fee Information from the Phase 2 Survey of our Two-phase Form 5500 Stakeholder Panel

In the second phase of the survey of our two-phase Form 5500 stakeholder panel, we asked each panelist to rate the significance of the challenges and impact of the changes the panel had collectively identified in the first phase. In the second phase, panelists were asked whether each potential challenge was “Not at all”, “Slightly”, “Moderately”, “Very”, or “Extremely” significant or if they had “No basis to judge”, and were asked whether each suggested change would have “Very negative”, “Somewhat negative”, “Neutral”, “Somewhat positive”, or “Very positive” impact or if they had “No basis to judge.”

For plan investment changes, we specifically asked: *How much of a positive or negative impact (please consider costs, resources, burden, and benefit) for your (and your clients’) work would each of the following potential changes to Form 5500 have on the overall clarity, efficiency, or usefulness of plan investment information?* Table 6 lists the top plan investment potential changes indicated by survey respondents.

Table 6: Top Changes with Form 5500 Plan Investment Information Suggested by Survey Respondents in our Two-Phase Survey Panel

Potential change	Very positive	Very Negative	Number of responses	Percent of respondents indicating “very positive”	Average score ^a
Revise Schedule H (Financial Information) plan asset categories to better match current investment vehicles	18	0	31	58.1%	1.42
Add more internal consistency checks of Form 5500 ^b data	15	0	30	50.0%	1.20
Department of Labor provides a central repository for Employer Identification Numbers (EIN)/Plan Numbers	13	1	31	41.9%	1.13
Provide further clarification on when to use fair value vs. contract value on the Schedules H and I (Financial Information-Small Plan) for synthetic guaranteed investment contracts or stable value products	12	1	31	38.7%	1.07
Clarify if a “contract administrator” referred to in Schedule H income and expense statement (line 2i(2)) includes record keepers	6	0	31	19.4%	1.07

Appendix II: Selected Results for Suggested Changes to Plan Investment and Service Provider Fee Information from the Phase 2 Survey of our Two-phase Form 5500 Stakeholder Panel

Potential change	Very positive	Very Negative	Number of responses	Percent of respondents indicating "very positive"	Average score ^a
Standardize Schedule H, line 4i plan assets attachment and make it machine-readable	16	3	31	51.6%	1.00
Indicate which investment is the plan's default investment option	13	1	30	43.3%	0.97
Create a field that discloses a single dollar amount for all the money being paid from plan assets for admin/revenue share	12	4	29	41.4%	0.79
Require reporting of mutual fund share classes on the Schedule H, line 4i plan assets attachment	10	5	30	33.3%	0.47
Require reporting of information on the top three service providers to the plan on Schedule I	10	5	30	33.3%	0.37

Source: GAO analysis of survey responses from GAO's two-phase Form 5500 stakeholders panel.

Note: The table shows plan investment challenges for which 10 or more panelists indicated it was a "very positive" or an average score greater than 1.0.

^aaverage score is based on assigning +2 points to a "very positive" answer, +1 to a "somewhat positive" answer, 0 to a "neutral" answer, -1 to a "somewhat negative" answer, -2 to a "very negative" answer, and 0 to a "no basis to judge" answer.

^bForm 5500 is the annual report that employee benefit plans file with the federal government.

For service provider fee changes, we specifically asked: How much of a positive or negative impact (please consider costs, resources, burden, and benefit) for your (and your clients') work would each of the following potential changes to Form 5500 have on the overall clarity, efficiency, or usefulness of service provider and fee information? Table 7 lists the top service provider fee potential changes indicated by survey respondents.

**Appendix II: Selected Results for Suggested
Changes to Plan Investment and Service
Provider Fee Information from the Phase 2
Survey of our Two-phase Form 5500
Stakeholder Panel**

Table 7: Top Service Provider Fee Changes Suggested by Survey Respondents in our Two-Phase Survey Panel

Potential change	Very positive	Very Negative	Number of responses	Percent of respondents indicating “very positive”	Average score ^a
Clarify Schedule C (Service Provider Information) instructions so that plan fees are reported more consistently	22	0	31	71.0%	1.61
Improve instructions for direct compensation, eligible indirect, and reportable indirect compensation	19	0	31	61.3%	1.39
Coordinate the service provider compensation information on Schedule C with the 408(b)(2) fee disclosure requirements ^b so plan sponsors do not have to provide two different sets of information on plan fees	16	1	31	51.6%	1.23
Reduce and simplify the number of service codes and add definitions behind them	13	0	29	44.8%	1.17
Improve consistency between DOL’s definition of direct compensation and generally accepted accounting principles	14	0	31	45.2%	1.16
Eliminate the distinction between eligible and reportable indirect compensations on Schedule C	13	3	30	43.3%	0.77
Align Schedules H (Financial Information) and I (Financial Information-Small Plan) with new fee disclosure rules to determine if they capture all fees possible. The schedules should indicate whether all fees are disclosed or whether some fees are embedded	10	1	31	32.3%	0.77
Department of Labor should maintain a list of unique company identifiers (e.g. Employer Identification Number) for commonly used service providers for easy reference for preparers	10	2	30	33.3%	0.77
Include all individuals and companies who receive compensation for services provided to the plan in the Form 5500b without exceptions or exemptions	11	9	31	35.5%	0.10
Require plans to attach the 408 (b)(2) fee disclosures to their Form 5500s ^c	11	9	31	35.5%	0.10
Eliminate Sch. C Part I line 3 (Indirect compensation)	10	12	31	32.3%	-0.13

Source: GAO analysis of survey responses from GAO’s two-phase Form 5500 stakeholders panel.

Note: Table shows service provider challenges for which 10 or more panelists indicated it was a “very positive” or an average score greater than 1.0.

**Appendix II: Selected Results for Suggested
Changes to Plan Investment and Service
Provider Fee Information from the Phase 2
Survey of our Two-phase Form 5500
Stakeholder Panel**

^aaverage score is based on assigning +2 points to a “very positive” answer, +1 to a “somewhat positive” answer, 0 to a “neutral” answer, -1 to a “somewhat negative” answer, -2 to a “very negative” answer, and 0 to a “no basis to judge” answer.

^bCertain service providers are required to disclose fee information to plan fiduciaries of defined benefit and defined contribution pension plans to satisfy disclosure requirements under Title I of ERISA. See 29 U.S.C. § 1108(b)(2) and 29 C.F.R. § 2550.408b-2.

^cForm 5500 is the annual report that employee benefit plans file with the federal government.

Appendix III: 2013 Form 5500 and Select Schedules

Figure 2: Form 5500 Annual Return/Report of Employee Benefit Plan (2013)

<p>Form 5500</p> <p>Department of the Treasury Internal Revenue Service</p> <p>Department of Labor Employee Benefits Security Administration</p> <p>Pension Benefits Guaranty Corporation</p>	<p>Annual Return/Report of Employee Benefit Plan</p> <p>This form is required to be filed for employee benefit plans under sections 104 and 4085 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).</p> <p>▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	<p>OMB Nos. 1210-0110 1210-0089</p> <p style="text-align: center;">2013</p> <p style="text-align: center;">This Form is Open to Public Inspection</p>		
<p>Part I Annual Report Identification Information</p> <p>For calendar plan year 2013 or fiscal plan year beginning _____ and ending _____</p> <p>A This return/report is for: <input type="checkbox"/> a multiemployer plan; <input type="checkbox"/> a multiple-employer plan; or <input type="checkbox"/> a single-employer plan; <input type="checkbox"/> a DFE (specify) _____</p> <p>B This return/report is: <input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report; <input type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months).</p> <p>C If the plan is a collectively-bargained plan, check here: _____ ▶ <input type="checkbox"/></p> <p>D Check box if filing under: <input type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program; <input type="checkbox"/> special extension (enter description) _____</p>				
<p>Part II Basic Plan Information—enter all requested information</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; border: 1px solid black; vertical-align: top;"> <p>1a Name of plan</p> <p>2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)</p> </td> <td style="width: 20%; border: 1px solid black; vertical-align: top;"> <p>1b Three-digit plan number (PN) ▶</p> <p>1c Effective date of plan</p> <p>2b Employer Identification Number (EIN)</p> <p>2c Sponsor's telephone number</p> <p>2d Business code (see instructions)</p> </td> </tr> </table>			<p>1a Name of plan</p> <p>2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)</p> 	<p>1b Three-digit plan number (PN) ▶</p> <p>1c Effective date of plan</p> <p>2b Employer Identification Number (EIN)</p> <p>2c Sponsor's telephone number</p> <p>2d Business code (see instructions)</p>
<p>1a Name of plan</p> <p>2a Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)</p> 	<p>1b Three-digit plan number (PN) ▶</p> <p>1c Effective date of plan</p> <p>2b Employer Identification Number (EIN)</p> <p>2c Sponsor's telephone number</p> <p>2d Business code (see instructions)</p>			
<p>Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.</p> <p>Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.</p>				
SIGN HERE	Signature of plan administrator	Date	Enter name of individual signing as plan administrator	
SIGN HERE	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor	
SIGN HERE	Signature of DFE	Date	Enter name of individual signing as DFE	
Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional)			Preparer's telephone number (optional)	
For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.			Form 5500 (2013) v. 130118	

Appendix III: 2013 Form 5500 and Select Schedules

Form 5500 (2013)		Page 2																	
3a Plan administrator's name and address <input type="checkbox"/> Same as Plan Sponsor Name <input type="checkbox"/> Same as Plan Sponsor Address		3b Administrator's EIN 3c Administrator's telephone number																	
4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name		4b EIN 4c PN																	
5 Total number of participants at the beginning of the plan year		5																	
6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a, 6b, 6c, and 6d).		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">6a</td> <td style="width: 95%;"></td> </tr> <tr> <td>6b</td> <td></td> </tr> <tr> <td>6c</td> <td></td> </tr> <tr> <td>6d</td> <td></td> </tr> <tr> <td>6e</td> <td></td> </tr> <tr> <td>6f</td> <td></td> </tr> <tr> <td>6g</td> <td></td> </tr> <tr> <td>6h</td> <td></td> </tr> </table>		6a		6b		6c		6d		6e		6f		6g		6h	
6a																			
6b																			
6c																			
6d																			
6e																			
6f																			
6g																			
6h																			
a Active participants		6a																	
b Retired or separated participants receiving benefits		6b																	
c Other retired or separated participants entitled to future benefits.....		6c																	
d Subtotal. Add lines 6a, 6b, and 6c.....		6d																	
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....		6e																	
f Total. Add lines 6d and 6e.....		6f																	
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....		6g																	
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....		6h																	
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....		7																	
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:																			
9a Plan funding arrangement (check all that apply) (1) <input type="checkbox"/> Insurance (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts (3) <input type="checkbox"/> Trust (4) <input type="checkbox"/> General assets of the sponsor		9b Plan benefit arrangement (check all that apply) (1) <input type="checkbox"/> Insurance (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts (3) <input type="checkbox"/> Trust (4) <input type="checkbox"/> General assets of the sponsor																	
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)																			
a Pension Schedules (1) <input type="checkbox"/> R (Retirement Plan Information) (2) <input type="checkbox"/> MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) <input type="checkbox"/> SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary		b General Schedules (1) <input type="checkbox"/> H (Financial Information) (2) <input type="checkbox"/> I (Financial Information - Small Plan) (3) <input type="checkbox"/> A (Insurance Information) (4) <input type="checkbox"/> C (Service Provider Information) (5) <input type="checkbox"/> D (DFE/Participating Plan Information) (6) <input type="checkbox"/> G (Financial Transaction Schedules)																	

Source: <http://www.dol.gov/ebsa/5500main.html>

Appendix III: 2013 Form 5500 and Select Schedules

Figure 3: Schedule C - Service Provider Information (2013)

SCHEDULE C (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefits Guaranty Corporation</small>	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2013 This Form is Open to Public Inspection.
For calendar plan year 2013 or fiscal plan year beginning _____ and ending _____		
A Name of plan	B Three-digit plan number (PN) ▶	
C Plan sponsor's name as shown on line 2a of Form 5500	D Employer Identification Number (EIN)	
Part I Service Provider Information (see instructions)		
You must complete this Part, in accordance with the instructions, to report the information required for each person who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received only eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.		
1 Information on Persons Receiving Only Eligible Indirect Compensation		
a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... <input type="checkbox"/> Yes <input type="checkbox"/> No		
b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).		
(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation		

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation		

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation		

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation		

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation		

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500 Schedule C (Form 5500) 2013 v.130118		

Appendix III: 2013 Form 5500 and Select Schedules

Schedule C (Form 5500) 2013

Page 2-

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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Appendix III: 2013 Form 5500 and Select Schedules

Schedule C (Form 5500) 2013

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>		Yes <input type="checkbox"/> No <input type="checkbox"/>

Appendix III: 2013 Form 5500 and Select Schedules

Schedule C (Form 5500) 2013

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Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Appendix III: 2013 Form 5500 and Select Schedules

Schedule C (Form 5500) 2013

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Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

SAMPLE

Appendix III: 2013 Form 5500 and Select Schedules

Schedule C (Form 5500) 2013

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Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SAMPLE

Source: <http://www.dol.gov/ebsa/5500main.html>

Appendix III: 2013 Form 5500 and Select Schedules

Figure 4: Schedule H – Financial Information (2013)

SCHEDULE H (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefits Guaranty Corporation</small>	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	<small>OMB No. 1210-0110</small> 2013 This Form Is Open to Public Inspection
For calendar plan year 2013 or fiscal plan year beginning and ending		
A Name of plan	B Three-digit plan number (PN) ▶	
C Plan sponsor's name as shown on line 2a of Form 5500	D Employer Identification Number (EIN)	
Part I Asset and Liability Statement		
1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.		
Assets	(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash.....	1a	
b Receivables (less allowance for doubtful accounts):		
(1) Employer contributions.....	1b(1)	
(2) Participant contributions.....	1b(2)	
(3) Other.....	1b(3)	
c General investments:		
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)	
(2) U.S. Government securities.....	1c(2)	
(3) Corporate debt instruments (other than employer securities):		
(A) Preferred.....	1c(3)(A)	
(B) All other.....	1c(3)(B)	
(4) Corporate stocks (other than employer securities):		
(A) Preferred.....	1c(4)(A)	
(B) Common.....	1c(4)(B)	
(5) Partnership/joint venture interests.....	1c(5)	
(6) Real estate (other than employer real property).....	1c(6)	
(7) Loans (other than to participants).....	1c(7)	
(8) Participant loans.....	1c(8)	
(9) Value of interest in common/collective trusts.....	1c(9)	
(10) Value of interest in pooled separate accounts.....	1c(10)	
(11) Value of interest in master trust investment accounts.....	1c(11)	
(12) Value of interest in 103-12 investment entities.....	1c(12)	
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)	
(15) Other.....	1c(15)	
<small>For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500</small>		
<small>Schedule H (Form 5500) 2013 v. 130118</small>		

Appendix III: 2013 Form 5500 and Select Schedules

Schedule H (Form 5500) 2013

Page **2**

		(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:		
(1)	Employer securities.....	1d(1)	
(2)	Employer real property.....	1d(2)	
e	Buildings and other property used in plan operation.....	1e	
f	Total assets (add all amounts in lines 1a through 1e).....	1f	
Liabilities			
g	Benefit claims payable.....	1g	
h	Operating payables.....	1h	
i	Acquisition indebtedness.....	1i	
j	Other liabilities.....	1j	
k	Total liabilities (add all amounts in lines 1g through 1j).....	1k	
Net Assets			
l	Net assets (subtract line 1k from line 1f).....	1l	

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

		(a) Amount	(b) Total
Income			
a	Contributions:		
(1)	Received or receivable in cash from: (A) Employers.....	2a(1)(A)	
	(B) Participants.....	2a(1)(B)	
	(C) Others (including rollovers).....	2a(1)(C)	
(2)	Noncash contributions.....	2a(2)	
(3)	Total contributions. Add lines 2a(1)(A), (B), (C), and line 2a(2).....	2a(3)	
b	Earnings on investments:		
(1)	Interest:		
	(A) Interest-bearing cash (including money market accounts and certificates of deposit).....	2b(1)(A)	
	(B) U.S. Government securities.....	2b(1)(B)	
	(C) Corporate debt instruments.....	2b(1)(C)	
	(D) Loans (other than to participants).....	2b(1)(D)	
	(E) Participant loans.....	2b(1)(E)	
	(F) Other.....	2b(1)(F)	
	(G) Total interest. Add lines 2b(1)(A) through (F).....	2b(1)(G)	
(2)	Dividends: (A) Preferred stock.....	2b(2)(A)	
	(B) Common stock.....	2b(2)(B)	
	(C) Registered investment company shares (e.g. mutual funds).....	2b(2)(C)	
	(D) Total dividends. Add lines 2b(2)(A), (B), and (C).....	2b(2)(D)	
(3)	Rents.....	2b(3)	
(4)	Net gain (loss) on sale of assets: (A) Aggregate proceeds.....	2b(4)(A)	
	(B) Aggregate carrying amount (see instructions).....	2b(4)(B)	
	(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result.....	2b(4)(C)	
(5)	Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)	
	(B) Other.....	2b(5)(B)	
	(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B).....	2b(5)(C)	

Appendix III: 2013 Form 5500 and Select Schedules

Schedule H (Form 5500) 2013

Page 3

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all income amounts in column (b) and enter total	2d		

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)		
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: (1) Professional fees:			
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		
j Total expenses. Add all expense amounts in column (b) and enter total	2j		

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		
l Transfers of assets:			
(1) To this plan	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) Unqualified (2) Qualified (3) Disclaimer (4) Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? Yes No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name:

(2) EIN:

d The opinion of an independent qualified public accountant is **not attached** because:

(1) This form is filed for a CCT, PSA, or MTIA. (2) It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV, MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a		
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)	4b		

Appendix III: 2013 Form 5500 and Select Schedules

Schedule H (Form 5500) 2013

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	Yes	No	Amount
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)			
4c			
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)			
4d			
e Was this plan covered by a fidelity bond?			
4e			
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?			
4f			
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4g			
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4h			
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)			
4i			
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)			
4j			
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?			
4k			
l Has the plan failed to provide any benefit when due under the plan?			
4l			
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
4m			
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If "Yes," enter the amount of any plan assets that reverted to the employer this year. Yes No **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? Yes No Not determined

Part V Trust Information (optional)

6a Name of trust	6b Trust's EIN

Source: <http://www.dol.gov/ebsa/5500main.html>

Appendix III: 2013 Form 5500 and Select Schedules

Figure 5: Schedule I – Financial Information – Small Plan

<p align="center">SCHEDULE I (Form 5500)</p> <p align="center"><small>Department of the Treasury Internal Revenue Service</small></p> <p align="center"><small>Department of Labor Employee Benefits Security Administration</small></p> <p align="center"><small>Pension Benefit Guaranty Corporation</small></p>	<p align="center">Financial Information—Small Plan</p> <p align="center"><small>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).</small></p> <p align="center">▶ File as an attachment to Form 5500.</p>	<p align="center"><small>OMB No. 1210-0110</small></p> <p align="center">2013</p> <p align="center"><small>This Form is Open to Public Inspection</small></p>	
<p>For calendar plan year 2013 or fiscal plan year beginning _____ and ending _____</p>			
<p>A Name of plan _____</p>		<p>B Three-digit plan number (PN) ▶ _____</p>	
<p>C Plan sponsor's name as shown on line 2a of Form 5500 _____</p>		<p>D Employer Identification Number (EIN) _____</p>	
<p><small>Complete Schedule I if the plan covered fewer than 100 participants as of the beginning of the plan year. You may also complete Schedule I if you are filing as a small plan under the 80-120 participant rule (see instructions). Complete Schedule H if reporting as a large plan or DFE.</small></p>			
<p>Part I Small Plan Financial Information</p> <p><small>Report below the current value of assets and liabilities, income, expenses, transfers and changes in net assets during the plan year. Combine the value of plan assets held in more than one trust. Do not enter the value of the portion of an insurance contract that guarantees during this plan year to pay a specific dollar benefit at a future date. Include all income and expenses of the plan including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar.</small></p>			
1 Plan Assets and Liabilities:		(a) Beginning of Year	(b) End of Year
a Total plan assets	1a		
b Total plan liabilities	1b		
c Net plan assets (subtract line 1b from line 1a)	1c		
2 Income, Expenses, and Transfers for this Plan Year:		(a) Amount	(b) Total
a Contributions received or receivable:			
(1) Employers	2a(1)		
(2) Participants	2a(2)		
(3) Others (including rollovers)	2a(3)		
b Noncash contributions	2b		
c Other income	2c		
d Total income (add lines 2a(1), 2a(2), 2a(3), 2b, and 2c)	2d		
e Benefits paid (including direct rollovers)	2e		
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Administrative service providers (salaries, fees, and commissions)	2h		
i Other expenses	2i		
j Total expenses (add lines 2e, 2f, 2g, 2h, and 2i)	2j		
k Net income (loss) (subtract line 2j from line 2d)	2k		
l Transfers to (from) the plan (see instructions)	2l		
3 Specific Assets: If the plan held assets at anytime during the plan year in any of the following categories, check "Yes" and enter the current value of any assets remaining in the plan as of the end of the plan year. Allocate the value of the plan's interest in a commingled trust containing the assets of more than one plan on a line-by-line basis unless the trust meets one of the specific exceptions described in the instructions.			
		Yes	No
a Partnership/joint venture interests	3a		Amount
b Employer real property	3b		
c Real estate (other than employer real property)	3c		
d Employer securities	3d		
e Participant loans	3e		

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500

Schedule I (Form 5500) 2013
v. 130118

Appendix III: 2013 Form 5500 and Select Schedules

Schedule I (Form 5500) 2013

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	Yes	No	Amount
3f Loans (other than to participants)	<input type="checkbox"/>	<input type="checkbox"/>	
g Tangible personal property	<input type="checkbox"/>	<input type="checkbox"/>	

Part II Compliance Questions

4 During the plan year:	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	<input type="checkbox"/>	<input type="checkbox"/>	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of plan year or classified during the year as uncollectible? Disregard participant loans secured by the participant's account balance.	<input type="checkbox"/>	<input type="checkbox"/>	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible?	<input type="checkbox"/>	<input type="checkbox"/>	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a.)	<input type="checkbox"/>	<input type="checkbox"/>	
e Was the plan covered by a fidelity bond?	<input type="checkbox"/>	<input type="checkbox"/>	
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	<input type="checkbox"/>	<input type="checkbox"/>	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	<input type="checkbox"/>	<input type="checkbox"/>	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	<input type="checkbox"/>	<input type="checkbox"/>	
i Did the plan at any time hold 20% or more of its assets in any single security, debt, mortgage, parcel of real estate, or partnership/joint venture interest?	<input type="checkbox"/>	<input type="checkbox"/>	
j Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	<input type="checkbox"/>	<input type="checkbox"/>	
k Are you claiming a waiver of the annual examination and report of an independent qualified public accountant (IQPA) under 29 CFR 2520.104-46? If "No," attach an IQPA's report or 2520.104-50 statement. (See instructions on waiver eligibility and conditions.)	<input type="checkbox"/>	<input type="checkbox"/>	
l Has the plan failed to provide any benefit when due under the plan?	<input type="checkbox"/>	<input type="checkbox"/>	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	<input type="checkbox"/>	<input type="checkbox"/>	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	<input type="checkbox"/>	<input type="checkbox"/>	

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If "Yes," enter the amount of any plan assets that reverted to the employer this year. Yes No **Amount:**

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? Yes No Not determined

Part III Trust Information (optional)

6a Name of trust	6b Trust's EIN

Source: <http://www.dol.gov/ebsa/5500main.html>

Appendix IV: Comments from Department of Labor

U.S. Department of Labor

Assistant Secretary for
Employee Benefits Security Administration
Washington, D.C. 20210



May 27, 2014

Charles A. Jeszeck
Director, Education, Workforce, and Income Security
United States Government Accountability Office
Washington, DC 20548

Dear Mr. Jeszeck:

Thank you for the opportunity to review the Government Accountability Office's (GAO) draft report entitled "Private Pensions: Targeted Revisions Could Improve Usefulness of Form 5500 Information." Your draft report suggests that the Department of Labor (DOL), Internal Revenue Service (IRS), and Pension Benefit Guaranty Corporation (PBGC) consider implementing recommendations to improve the usefulness, reliability, and comparability of plan investment and service provider data collected in the Form 5500 Annual Return/Report of Employee Benefit Plan ("Form 5500") that GAO developed from a survey panel of researchers, industry, and participant stakeholders.

We are pleased to note that DOL, IRS, and PBGC (the Agencies) already initiated in 2013 an overall re-examination of the Form 5500, which we informally refer to as the 21st Century Initiative. The Initiative is part of a long-term strategic project with IRS and PBGC to modernize and improve the Form 5500. As your report states, the "21st Century Initiative" is an opportunity to identify new and better ways to meet the needs of both federal and non-federal stakeholders, and improve the efficiency, usefulness, and integrity of the information collected. The 21st Century Initiative already included within its scope consideration of all of the Recommendations for Executive Actions in your draft report, which we view as broadly supportive of our efforts in this regard. Specifically, our initiative is already considering:

- Revising and modernizing the financial schedules that are part of the Form 5500 to collect better information on investment vehicles and provide more transparency regarding plan investment;
- Revising and requiring more attachments to the Form 5500 to be filed in data mineable formats, for example, the Schedules of Assets that contains information on each individual investment held by pension plans that file the Schedule H;
- Revising the Schedule C filed by large plans to be more consistent with recently finalized fee transparency regulations and to collect better data on services provided and revenue sharing and other compensation that plan service providers receive from third parties; and
- Improving comparability of form data from year to year, as well as between plans and investment vehicles that file separate Form 5500 data.

The draft report also recommends that the Agencies conduct advance testing such as focus groups, in-person observations and users' perceptions of forms and questions as appropriate before proposing changes to the Form 5500 for public comment. EBSA believes advance focus

groups can be helpful in some cases. However, in the case of the Form 5500, we are concerned that focus groups would add another layer of expense and delay. Changes to the Form 5500 already involve a very transparent and public process of notice and comment rulemaking governed by the Administrative Procedures Act, unlike many other federal forms that only undergo Paperwork Reduction Act review. Further, we solicit and consider comments from the public in other forms or forums. For example, the introductory pages of the Form 5500 instructions includes a section on how to get assistance with directions and on how to contact DOL and IRS online or by phone. The Paperwork Reduction Act notice published at the back of the instructions sets forth burden estimates and asks for suggestions from the public on making the forms simpler. The EFAST PMO annually participates in a Form 5500 software developers' conference at which substantive, as well as technical feedback is often provided.

The report criticizes the Agencies for making only "minimal changes to the form over the last three years" and asserts that the process of making form changes has largely been impeded by "reluctance" on the part of the Agencies to engage in negotiations with the contractor that operates the ERISA Filing Acceptance System (EFAST) about possible costs of such changes. We believe it is important to clarify a couple statements in the draft report. Although the Agencies strive to respond to requests for changes from the service provider community where feasible and appropriate, the success of the Form 5500 program critically depends on the careful management of complex software, technology, procurement, and regulatory structures. In order to comply with annual reporting obligations, plans, employers, accountants, actuaries, lawyers, recordkeepers, and others have to collect data, maintain software systems and perform myriad tasks, all of which depend on the success of the systems and structures that the Agencies have put in place to support the filings. Because of the size of the undertaking and its broad impact on so many private actors, DOL is careful to coordinate major form and information collection changes with the EFAST procurement process and system development requirements. The failure to properly take these factors into account would create a serious risk of excessive administrative costs and burdens to the detriment of filers, plan participants, and taxpayers.

The Form 5500 recently was subject to a major public notice and comment revision in connection with the Agencies' move to a wholly electronic form processing system -- EFAST2. The move to EFAST2 was itself a major multi-year procurement and system development exercise that required a balancing of available technology, funding, ease of use for the filing community, and usefulness of the system for end users. The DOL engaged in a separate rulemaking process at that time to mandate electronic filing of the Form 5500. Those regulatory processes started with two separate notices in 2006 seeking public comment on proposed form changes. That process resulted in the 2009 and 2010 Form 5500 being published together so they were both available for electronic filing on January 1, 2010. The public comments were posted on DOL's website and the Agencies again published a notice in the Federal Register discussing the public comments and the form and instruction changes being adopted.

Thus, in addition to notice and comment rulemaking issues, and as we explained at some length in our various discussions with GAO staff, decisions on substantive changes to the form are determined by coordinated action among the Agencies, evaluation of data needs of the Agencies, a cost-benefit analysis of the impact of the form changes on plans, employers and other plan sponsors, realities of agency appropriations and EFAST funding issues.

**Appendix IV: Comments from
Department of Labor**

Nonetheless, even during the three year time period referenced in your report, the Agencies made some important changes. For example, the Department of Labor engaged in notice and comment rulemaking to add questions regarding Form M-1 Compliance by group health plans beginning with plan year 2013 to address statutory changes made to ERISA by the Affordable Care Act. Also, IRS and PBGC made focused changes to the Form 5500 actuarial schedules, which required the DOL to publish a Federal Register Notice in 2011.

Overall, we appreciate your recommendations, and please be assured that we will consider them as we move forward with the 21st Century Initiative.

Sincerely,



Phyllis C. Borzi
Assistant Secretary

Appendix V: Comments from Department of Treasury/Internal Revenue Service



COMMISSIONER
TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

MAY 21 2014

Charles A. Jeszeck, Director
Education, Workforce, and Income Security
United States Government Accountability Office
441 G Street, NW, Room 5968
Washington, DC 20548

Dear Mr. Jeszeck:

Thank you for the opportunity to review the draft report of the Government Accountability Office entitled "Targeted Revisions Could Improve Usefulness of Form 5500 Information" (GAO-14-441). The recommendations in the draft report focus on Form 5500 reporting requirements relating to plan investments and service provider fee information applicable to private sector retirement plans pursuant to the Internal Revenue Code and the Employee Retirement Income Security Act. The Department of the Treasury, the Internal Revenue Service, the Department of Labor, and the Pension Benefit Guaranty Corporation (collectively, the Agencies) regulate these requirements.

The draft report provides a number of recommendations to the Agencies to address challenges involving the Form 5500 plan investment and service provider fee information that were identified to GAO by stakeholders from a variety of backgrounds who work with this information. The stakeholders included plan sponsors and their advisors who complete the Form; plan service providers who provide certain required information; plan participants and participant advocates, including ERISA plaintiffs' attorneys; and researchers, academics, and other federal agencies. Many of the concerns identified by these stakeholders appear valid. At the outset, however, it is important to recognize that IRS's statutory authority for collecting information via Form 5500 is limited to the purpose of assisting the IRS in the discharge of its responsibilities to administer and enforce the tax laws.

With that as background, enclosed are comments on the draft report's recommendations directed to the Agencies. In addition to the recommendations for Agency action, the draft report also recommends that Congress consider providing the Department of the Treasury with the authority to require that the Form 5500 series be filed electronically in order to improve IRS' enforcement and compliance efforts and decrease the administrative and financial burden of maintaining both electronic and paper-based form processing systems, as well as the burden of plan reporting costs.

Appendix V: Comments from Department of
Treasury/Internal Revenue Service

2

An all-electronic Form 5500 filing capability is a critical priority for the Department of the Treasury and IRS for the reasons identified in the Administration's FY 2015 Revenue Proposals and in the draft report. Authority for the Department of the Treasury and IRS to require all-electronic filing of both the Form 5500 series and the Form 995-SSA has been included in the Administration's updated budget proposal. The IRS deeply appreciates the inclusion of this suggestion.

The IRS is committed to ensuring that the Form 5500 is designed to collect useful and reliable data while also limiting burdens on the filing community. We appreciate having had the opportunity to review and comment on the draft report. Please do not hesitate to contact us if you have questions concerning this response or if we can be of further assistance.

Sincerely,



Sunita B. Lough
Commissioner, Tax-Exempt and
Government Entities

Enclosure

Enclosure

Recommendations

The draft report recommends that: "To improve the usefulness, reliability and comparability of Form 5500 data for stakeholders while limiting the burden on the filing community, we [GAO] recommend the Secretaries of DOL and Treasury, and the Director of PBGC consider implementing the findings from the [report's stakeholder] panel when modifying plan investment and service provider fee information, including:

- Revise Schedule H plan asset categories to better match investment vehicles and provide more transparency into plan investments;
- Revise the Schedule of Assets attachments to create a standard searchable format;"

Comment

As part of the Agencies' 21st Century Plan Initiative referred to in the draft report, the Agencies are working to (1) develop Schedule H plan asset categories that better match investment vehicles and provide more transparency into plan investments, and (2) develop a standard format for the Schedule of Assets attachment to Schedule H. This is part of a multi-year effort by the Agencies to substantially revise and update the Form 5500 series content and technology.

Recommendation

- "Develop a central repository for Employer Identification Numbers (EINs) and Plan Numbers (PNs) for filers and service providers to improve the comparability of form data across filings;"

Comment

The IRS understands that a central repository of EINs and PNs could be useful to improve the comparability of form data across filings. However, the IRS will need to evaluate the impact of this recommendation in light of major, ongoing initiatives across the IRS to reduce the risk of identity theft and protect taxpayer privacy. These efforts are especially relevant to situations involving the easy availability of taxpayer identification numbers. For example, the IRS and the Department of the Treasury are in the process of preparing final regulations to enable filers to replace standard 9-digit social security numbers and EINs with 4-digit truncated taxpayer identification numbers (TTNs) for certain information returns that are also issued as payee statements (e.g., Forms 1098, 1099, 5498).

Recommendations

- “Clarify Schedule C instructions for direct, eligible indirect, and reportable indirect compensation, so plan fees are reported more consistently and, as recommended in the past, provide better alignment with the 408(b)(2) fee disclosures;
- Simplify and clarify Schedule C service provider codes to increase reporting consistency; and”

Comment

With respect to the Schedule C service provider information, the collection of information via Schedule C is solely within the jurisdiction of the DOL under Title I of ERISA. Accordingly, the IRS must defer to the DOL on those recommendations.

Recommendation

- “Conduct advanced testing, such as focus groups, in-person observations and users’ perception of forms and questions, as appropriate and before proposing changes to the form for public comment, in addition to other outreach efforts.”

Comment

IRS will consult with our colleagues at the Department of Labor and the PBGC on the potential benefits and costs of conducting advanced testing such as focus groups and in-person observations and users’ perceptions of forms and questions before proposing changes to the form for public comment.

Appendix VI: Comments from the Pension Benefit Guaranty Corporation



Office of the Director

May 22, 2014

Charles A. Jeszeck
Director, Education, Workforce, and Income Security
United States Government Accountability Office
Washington, DC 20548

RE: Government Accountability Office (GAO) June 2014 Draft Report GAO-14-441–
“Private Pensions: Targeted Revisions Could Improve Usefulness of Form 5500
Information”

Dear Mr. Jeszeck: *Charlie*

Thank you for the opportunity to review the referenced draft GAO report. We appreciate GAO’s taking time to identify ways to improve Form 5500 reporting of plan investment and service provider fee information.

As detailed in the attachment to this response, we agree with the report’s recommendations. We agree with the report’s conclusion that existing plan asset categories do not provide users with the means to identify the nature of plan investments and the level of investment risk. Improvements in this area are critical to PBGC’s efforts in protecting and sustaining PBGC’s insurance programs and monitoring plan financial status. We are already working with DOL and Treasury as part of the 21st Century Initiative to make improvements in this area.

We appreciate your asking Congress to consider providing the Treasury Department with the authority to require that the Form 5500 series be filed electronically. Based on our collaboration with the IRS in the Form 5500 development process, we agree that this would improve IRS’s enforcement and compliance efforts, decrease the administrative and financial burden to IRS of maintaining both electronic and paper-based form processing systems, and decrease plan reporting costs.

However, we wish GAO would go further in this report, as there are many other important limitations in the current Form 5500. To mention one example, the reporting timelines derive from the era before electronic submission and, as a result, Form 5500 data is outdated by the time we receive it. Consequently, PBGC is forced to make business decisions affecting millions of participants based, in part, on obsolete information. The current statutory reporting deadline for completing the Form 5500 is up

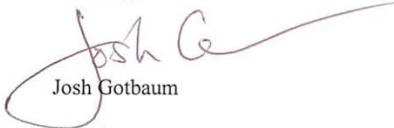
**Appendix VI: Comments from the
Pension Benefit Guaranty Corporation**

to 210 days (7 months) after the close of the plan year¹, and with the IRS automatic extension period of 2 ½ months,² filers have up to 9 ½ months after the close of the plan year to file their returns. These deadlines do not reflect current IT capabilities of most plan sponsors and the actuarial community. Your report notes these concerns, but hasn't recommended changes. We urge you to consider doing so.

There are other improvements to the Form 5500 that would be helpful, such as improvements to Schedule MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information). Information on multiemployer plans is critical to PBGC's operations and our work in protecting the endangered multiemployer plan insurance program. We will continue to actively work with DOL and Treasury on improving this schedule; however, some statutory changes may be necessary to improve reporting.

The Form 5500 is a key tool in helping PBGC to monitor plans and identifying plans that are at risk. We appreciate GAO's thoughtful work in this area and hope you will continue it.

Sincerely,



Josh Gotbaum

Attachment

¹ ERISA section 104.

² IRS Form 5558, Application of Extension to File Certain Employee Plan Returns.

Attachment

GAO Recommendation:

To improve the usefulness, reliability, and comparability of Form 5500 data, for all stakeholders while limiting the burden on the filing community, we recommend that the Secretaries of DOL and Treasury, and the Director of PBGC consider implementing the findings from our panel when modifying plan investment and service provider fee information.

PBGC Response:

We agree with the recommendation that DOL, Treasury and PBGC consider modifying Form 5500 plan investment and service provider fee information to address challenges identified by GAO's panel. Please note that the specific recommendations for revisions to Schedule C (Service Provider Information) and Schedule H (Financial Information) identified on page 32 of the report are already being considered by the agencies as part of the 21st Century 5500 Initiative.

GAO Recommendation:

To ease the burden on preparers and ensure the collection of consistent and reliable data, we recommend that the Secretaries of DOL and Treasury, and the Director of PBGC conduct advance testing – such as focus groups, in-person observations, and users' perception of forms and questions – as appropriate and before proposing changes to the form for public comment, in addition to its other outreach efforts.

PBGC Response:

We also agree with the recommendation that DOL, Treasury, and PBGC look for options to conduct advance testing when making final revisions to the Form 5500. We will work with our colleagues at DOL and the Treasury in exploring our options to address this issue.

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

Charles A. Jeszeck, Director, (202) 512-7215 or jeszeck@gao.gov.

Staff Acknowledgments

In addition to the contact named above, David Lehrer (Assistant Director), Suzanna Clark, Carl Ramirez, Ryan Siegel, Michael Silver, Salvatore Sorbello, and Amber Yancey-Carroll made key contributions to this report. Also contributing to this report were Amy Bowser, Holly Dye, Kathy Leslie, Kristine Hassinger, Sheila McCoy, Jonathan McMurray, Libby Mixon, Mimi Nguyen, Jason Palmer, Roger Thomas, Robyn Trotter, Craig Winslow, and Jill Yost.

Related GAO products

Private Pensions: Clarity of Required Reports and Disclosures Could Be Improved. [GAO-14-92](#). Washington, D.C.: November 21, 2013.

Private Pensions: Revised Electronic Disclosure Rules Could Clarify Use and Better Protect Participant Choice. [GAO-13-594](#). Washington, D.C.: September 13, 2013.

Private Sector Pensions: Federal Agencies Should Collect Data and Coordinate Oversight of Multiple Employer Plans. [GAO-12-665](#). Washington, D.C.: September 13, 2012.

401(k) Plans: Increased Educational Outreach and Broader Oversight May Help Reduce Plan Fees. [GAO-12-325](#). Washington, D.C.: April 24, 2012.

E-Filing Tax Returns: Penalty Authority and Digitizing More Paper Return Data Could Increase Benefits. [GAO-12-33](#). Washington, D.C.: October 5, 2011.

401(k) Plans: Improved Regulation Could Better Protect Participants from Conflicts of Interest. [GAO-11-119](#). Washington, D.C.: January 28, 2011.

Private Pensions: Additional Changes Could Improve Employee Benefit Plan Financial Reporting. [GAO-10-54](#). Washington, D.C.: November 5, 2009.

Private Pensions: Government Actions Could Improve the Timeliness and Content of Form 5500 Pension Information. [GAO-05-491](#). Washington, D.C.: June 3, 2005.

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