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Subject: Public Submission

Attachments: Hewitt Comments on Form 5500 E-filing Regulation-57002.pdf



Hewitt Comments
on Form 5500 E...

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Public Comments on Electronic Filing of Annual Reports:=====

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Comment Info: =====

General Comment:Re: Form 5500 E-filing regulation (RIN 1210-AB04) We respectfully submit the attached comments on the proposed regulation on the electronic filing requirement for the Form 5500 series. The attached Adobe Acrobat file contains the full text of our comment letter. If you prefer the file to be in a different format, please do not hesitate to let us know by contacting Molly Ott at 847-295-5000.
Thank you.

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Office of Regulations and Interpretations
Employee Benefits Security Administration (EBSA)
Room N-5669
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210
Attn: Form 5500 E-filing regulation (RIN 1210-AB04)

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Re: Request for comments related to an electronic filing requirement for the Form 5500 Series (RIN 1210-AB04)

Dear Sir or Madam:

The Department of Labor (DOL) published proposed regulations in the *Federal Register* on August 30 related to an electronic filing requirement for the Form 5500 series. In the preamble to those proposed regulations, the DOL specifically requested comments on how best to proceed with the transition to electronic filing. Hewitt Associates ("Hewitt") welcomes the opportunity to submit for consideration comments on these proposed regulations.

Who We Are

Hewitt (www.hewitt.com) is a leading global provider of human resources outsourcing and consulting services. The firm consults with more than 2,300 companies and administers human resources, health care, payroll, and retirement programs on behalf of more than 300 companies for millions of employees and retirees worldwide. Our clients include more than half of the *Fortune* 500® companies and more than one-third of the *Fortune* Global 500® companies.

Hewitt commends the DOL in its efforts to develop an effective electronic filing process for the Form 5500 series. Hewitt has identified several issues that we would like to bring to the DOL's attention related to the transition to an electronic filing requirement.

Pilot Group

A pilot group should be used to test the prototype in order to identify problems and solutions.

The preamble to the proposed regulations provides that the new filing system will offer users of approved privately developed Form 5500 computer software, a secure Internet-based method for transmission of the forms. However, the preamble does not address



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the process for how the prototype system will be tested before it is available to the general public.

Hewitt believes that an electronic filing system should not be mandatory until it is tried and tested in a real environment by actual Form 5500 series preparers. Our greatest concern is that an Internet-based repository system varies so drastically from the electronic filing methods of the past, it is impossible to foresee the problems that may be encountered. For example, we found a number of hurdles that needed to be overcome simply with the transition of reporting separated participants on the Schedule SSA form (as opposed to a separate attachment). Some of those hurdles included developing processes to: coordinate with actuaries, recordkeepers, and clients to ensure the information was provided in the correct format necessary to download into the Schedule SSA; print the large volumes of paper to file with the DOL, and/or create CDs to reduce the paper volume retained by the plan sponsors; and load the large files to the private software vendor's Web site for clients to obtain for submission.

Accordingly, Hewitt proposes that once a prototype is in place, a pilot group should test it for several years prior to making it available to the general public. Hewitt is interested in participating in any such pilot program.

Transition Timeline

A transition timeline following a pilot of the program should be established.

Proposed Regulation Section 2520.104a-2 provides, in part, that beginning on or after January 1, 2007, any Form 5500 Annual Return/Report to be filed with the Secretary must be filed electronically.

Hewitt recommends that mandatory electronic filing be phased in over a longer period of time than provided in the proposed regulations. This would allow the time needed to thoroughly test and pilot the new system before it becomes available to the general public. Furthermore, a longer transition period would help to reduce the costs and burden associated with the conversion. Hewitt recommends that a pilot group test the new system for a minimum of two years beginning on January 1, 2007. Assuming that the new system is stable after the pilot group testing, Hewitt recommends that electronic filing of the Form 5500 series become mandatory for filings required to be made on or after January 1, 2009.



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New Electronic Filing Architecture

Over the past year, Hewitt has worked toward the transition to the Pension Benefit Guaranty Corporation's (PBGC) new electronic filing system scheduled for implementation to the general public beginning on January 1, 2006. Based on our experience and understanding of the PBGC's new electronic system, below are some suggestions for the new Form 5500 series electronic filing system.

The system should permit the ability to enter information into privately developed software before transmission to the DOL Web site.

The preamble to the proposed regulations provides that the new filing system will include a secure Internet-based method for transmission of filings created through the use of privately developed computer software. Based on our understanding of the new PBGC system, preparers will have the ability to continue to use privately developed software to transfer general plan information (that carries forward from year to year) to the PBGC Web site.

We suggest that the DOL adopt a flexible approach similar to the PBGC system where preparers would have the ability to enter information into privately developed software before draft filings and attachments are transmitted to the DOL Web site. Once transmitted, we envision the client would review the draft filing, attach the final audit report, and complete the final submission. We believe this flexibility is important for several reasons. First, because of the volume of schedules in the Form 5500 series, we believe that providing preparers flexibility with when and how data is transmitted to the DOL Web site is important. The second reason is based on our experience with the new PBGC system, where a plan sponsor must grant access to individuals permitted to enter information in the plan's site. Although we understand the reason for this authorization requirement, this process is not practical in an environment where third-party preparers work on numerous filings and individual preparers are not always consistently assigned to the same client. As a result, we suggest that the new electronic filing system give preparers the ability to enter information into privately developed software before transmitting draft filings to the DOL Web site.

The system should include the ability to use multiple privately developed software formats in a filing.

Because the privately developed software used to prepare the Form 5500 series may differ from the privately developed software used by actuaries to prepare Schedule B, we believe that it is important that the new electronic filing system include the ability to use multiple privately developed software formats in a filing.



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Conclusion

Hewitt commends the DOL for its efforts to move the Form 5500 series filings to a usable electronic system. We believe that by developing a flexible system, a pilot program for further testing, and a transition timeline, the Form 5500 series electronic filings will become an efficient and effective process.

Thank you for the opportunity to comment on this topic. If you have any questions or comments, please contact the undersigned at the telephone numbers or electronic mail addresses provided below.

Sincerely,

Hewitt Associates LLC

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