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Office of Regulations and Interpretations
Employee Benefits Security Administration
Annual Reporting and Disclosure, Room N-5655,
U.S. Department of Labor
200 Constitution Ave, NW.
Washington, DC 20210

RE: RIN 1210-AB63, Proposed Revision of the Form 5500

To Whom It May Concern,

NISA Investment Advisors, LLC is grateful for this opportunity to comment on the proposed revision of the Form 5500. As an institutional asset manager, NISA interacts with many plan sponsors and appreciates the importance of the information reported on the Form 5500. With any proposed change to the Form 5500, however, one of our foremost considerations would be to strike a balance between the burdens placed on plan sponsors in completing the form with the utility of the information being reported.

With that balance in mind, we would suggest one supplemental data point which plan sponsors should have available and therefore would not require additional work to produce: a valuation of the pension liability based on a market-based discount rate.[1] Including this information would allow for a more representative estimate of funded status on a marked-to-market basis. A natural place for this data point would be in Part 1: Basic Information.

We believe supplying such a market-based liability valuation would not inconvenience plan sponsors and would provide useful information from a data-analysis and public service perspective. We believe this data would facilitate inter-plan economic comparisons, which would provide a host of benefits to multiple constituents. For example: plan sponsors would benefit from understanding their situation relative to their peers; asset managers could assess market dynamics to better tailor their offerings; and regulators would have an apples-to-apples funded status metric by which to measure system-wide risk, identify trends, and act proactively.

Separately, we have concerns about the addition of a "Derivative" asset class category as it is described in the initial guidance. We fear that the "Derivative" category, if constructed improperly, would greatly inconvenience plan sponsors and managers from a data-gathering and reporting perspective while providing little relevant information.

Two derivatives-specific considerations that would recommend against treating derivatives like a traditional asset class are market value versus economic exposure, and tactical use by third-party managers. Cleared derivatives (and sometimes over-the-counter instruments) can result in significant economic exposure for the plan while having zero or insignificant market value. For

[1] Although, the exact valuations for a market-based discount rate can be debated (ABO vs. PBO, discount rate used in company financials, discount rate based on the nonstabilized version of the segment rates, etc.), we would expect it to be a liability valuation that the plan sponsor already calculates and thus it should not create additional calculations or reporting burdens.

example, interest rate swaps can have a marked-to-market value of zero but hold material plan-wide implications from a hedging perspective. Measuring this exposure by market value would significantly understate its actual impact on the plan. We would also draw a distinction between "strategic" and "tactical" derivatives exposure. It seems cumbersome and of limited informational value to report derivatives exposure where managers have discretion to use derivatives for tactical purposes. For example, fixed income managers often use U.S. Treasury Futures as a cost-effective way to fine-tune marginal interest rate exposure along the yield curve. Requiring plan sponsors to collect and aggregate this data from multiple managers would likely necessitate laborious analysis that would yield little, if any, value. Additionally, intermixing "tactical" and "strategic" derivatives data without distinguishing between the two would likely reduce the value of collecting any derivatives information at all.

If the Department of Labor does decide to collect data on strategic derivatives programs with the Form 5500, our suggestion would be to treat derivatives as a distinct section. We believe it may be important to understand deliberate and material derivatives programs and to briefly explain from a qualitative perspective what the specific programs' objectives are and what instruments they use. For example, a plan could list its beta overlay and interest rate overlay programs and describe them as achieving its asset allocation's domestic equity exposure with equity total returns swaps and increasing the plan's interest rate hedge ratio with interest rate swaps, respectively. Ideally, this could be accomplished with "yes or no" type questions and checkboxes rather than open text fields to preserve the goal of searchability and comparability. This kind of information could be useful for regulators when analyzing trends and systematic risks, plan sponsors for comparing themselves to their peers, and asset managers when evaluating their product offerings, among others. Furthermore, if the Department decides to ask for a measurement of notional exposure rather than market value, the Department should clearly specify how that exposure should be calculated so that the measure of exposure reported is uniform across all plans to facilitate inter-plan comparisons. This is especially relevant for fixed-income derivative positions. For example, the underlying market exposure of $100MM of a 5-year interest rate swap is much different than a 30-year interest rate swap. In these cases, having an apples to apples way to compare exposure across plans will be useful for individuals utilizing the data.

As an overarching point, we would support any efforts to improve the searchability and comparability of data contained within the Form 5500. We support the proposals in the initial guidance to achieve this goal, such as replacing some attachments with open text fields and turning plan characteristic codes into yes or no questions. Any revisions that increase the usability and aggregation of data gathered in the Form 5500—and at the same time decrease the time and effort required on the part of plan sponsors to generate and input it—would be welcome.

We appreciate this opportunity to comment on the proposed revision of the Form 5500 and recognize the Department of Labor's valuable work on behalf of retirement participants.

Best regards,

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