Submitted electronically

RE: RIN 1210-AB63

I am writing on behalf of the actuarial team at Principal[SM] who work with CSEC plans. We are commenting on the proposed changes to the Form 5500. We want to thank the Departments and PBGC for extending the comment period.

Our area of concern is **CSEC plans**, as described in Code section 414(y) and subject to Code section 433 (code 1). The extension of time to comment has been critically important. In the proposed Form 5500 revisions, instructions for these plans were marked as reserved. Only with publication of the draft instructions for 2016 were we provided insight into these directions for these plans.

When the bills were introduced to create these plans, the CBO estimated that about 30 existed within the ERISA system. We provide actuarial services to some of those plans. They are a unique and rare plan type. They are also all either charity plans or co-operatives. As such, the expenses of running the plan are a direct burden on the community-based organizations that sponsor them.

While the goal of the proposed revisions is to enhance accessibility and usability of the data, it does not seem reasonable to require these CSEC plans to perform liability, credit balance, and asset calculations that are needed for no other reason than the Schedule SB reporting.

## Specific Comments

Specifically, we would like you to consider making some adjustments in the final rules compared to the proposed 2016 Form 5500 Schedule SB instructions for these plans:

| Part | Current 2016 draft instructions | Requested Change |
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| Lines A-F | Complete | No changes |
| Part I | Determined as if PPA '06 provisions were effective for all plan years beginning after 12/31/2007. | |
| • Line 1 | Valuation Date | No changes |
| • Line 2 | a) Market Value | No changes |
| | b) Actuarial value of assets | Omit<br>This value is not used for either PBGC premiums or funding requirements. Generating it is also not a simple process, as the calculation involves determining a discounted value of contributions made after the end of the plan year using an effective interest rate not otherwise determined by these plans.<br><br>If an entry is required, allow plans to show the market value of assets rather than forcing them to retroactively develop and maintain a smoothed value of assets solely for reporting on this form. |
| • Line 3 | Funding target /participant count breakdown | If amounts are deemed necessary in addition to the liabilities already reported on the attached 2007 Schedule B, we propose reporting on one of two bases. Either of our recommendation liability |

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| | | amounts are required for CSEC plan operations (PPA funding target is not) and are more meaningful for these plans. Either has advantages:<br>• Funding target liability used to calculate PBGC variable rate premiums. This approach provides a more market-based liability not otherwise available in the Form 5500 reporting for these plans.<br>• Funding Restoration Basis liabilities – This is a long-term funding basis already reported on the 2007 Schedule B attached to a CSEC Form 5500 filing and is required to be determined annually.<br>Either of these two approaches reduces the administrative burden by using an existing measurement in place of one not otherwise required under IRC 433 for the plan. |
| • Line 4 | At-risk status | Omit<br>This determination is not applicable to the CSEC plans. We would prefer to skip completing any portion of this line. |
| • Line 5 | Effective interest rate (EIR) | A true EIR under PPA is not otherwise calculated. The rate reported here should correspond to the liabilities reported on Part I, Line 3. |
| • Line 6 | Target Normal Cost | Omit<br>This value is not developed for PBGC premium purposes, and the plan's funding basis normal cost is already reported on the attached 2007 Schedule B. |
| Statement by enrolled actuary | Statement language: | No changes<br>Note we are also already signing the attached 2007 Schedule B. |
| Part III, Line 14 | Funding Target Attainment Percentage, determined as if PPA '06 provisions were effective for all plan years beginning after December 31, 2007. | This requires determinations of PPA '06 basis funding target, actuarial value of assets, and funding balances, none of which are determined for funding purposes for a CSEC plan. This is administratively burdensome and was not deemed necessary by Congress for CSEC plans.<br><br>The measure provided here should correspond to the amounts reported on lines 2a) and 3.<br><br>As an alternative, reporting the plan's Funding Restoration Status percentage may make sense. This determination is required under Sec. 433 and is reported to the plan sponsors annually. It is an item not otherwise reported on the Form 5500 for these plans, since it may not correspond to the final liabilities or assets reported on the 2007 Schedule B. |
| Part IV, line 18 | Contributions made to the plan | Reporting these contributions is also required on the attached 2007 Schedule B. Please remove them from one place or the other.<br>These multiple employer plans can receive large numbers of contributions. Since these must be |

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| | | entered by hand, doing it twice seems an unnecessary burden and adds no user value. |
| Part V | Assumptions used to determine Funding Target and Target Normal Cost | The assumptions reported on line 21 should support the liabilities reported on lines 3 and 6, not be tied to the PPA '06 funding basis.<br>Lines 22 and 23 are already disclosed on the 2007 Schedule B. Items should only need to be reported once. |
| 2007 Schedule B | | No changes. We agree with the draft directions. |

We are aware that CSEC plans are still subject to ERISA §4010 reporting. However, for many of these plans, a quick review using the plan's market value of assets and the liabilities on a PBGC premium basis (using full benefits, not just vested) is enough to determine if those reporting rules will be triggered. Forcing IRC §430 funding target calculations on all plans to determine liabilities that only a few will need seems an unnecessary burden.

We appreciate your review of these comments.

## Comments for modifying ERISA 101(f) Annual Funding Notice

As these proposed rules were jointly issued by Department of Labor, Department of the Treasury and the Pension Benefit Guaranty Corporation, we would also like to note that similar adjustments made to the ERISA 101(f) Annual Funding Notice for CSEC plans would ease the cost of providing these notices and also to prevent sharing information with plan participants that is not pertinent to the actual funding of these plans.

Current guidance requires CSEC plans to provide some asset and liability disclosures needed for the sole purpose of complying with the ERISA 101(f) model notices used for plans that are subject to IRC §430.

The ideas below were discussed by Thomas Hindmarch, Senior Employee Benefits Law Specialist at the Employee Benefits Security Administration, at the 2016 Enrolled Actuaries Meeting. One of the options he mentioned that day seems the best choice to ease the reporting burden:

- The Special Attachment needed to report the use of stabilized interest rates and their effect on results should be eliminated, since it does not apply to CSEC plans.
- The reporting on the model form should be based on the certified funding requirement liabilities, assets, and credit balance as defined in Sec. 433.
    - Note this may not be the same liability and assets used for the determination of Funding Restoration Status as of the same date. Both a roll-forward estimate of liabilities and a reasonable estimate of future contributions are allowed in the determination of the Funding Restoration Status.

You could also consider adding the plan's Funding Restoration Status as of the year in which the notice is prepared. It must be completed by the 90th day after the beginning of the plan year, while the Annual Funding Notice is not required to be distributed until the 120th day after the end of the prior plan year. The 30 day timing window allows the participants to receive timely, relevant information, along with a notification.

## Conclusion

Removing any information calculated purely to comply with the Sec. 430 funding rules would greatly simplify the preparation of these notices and cut back on the time and expense needed to generate numbers not otherwise used by the plan in any way.

If you have any questions, please contact me.

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