From: Jennifer Gebhardt
Sent: Monday, December 05, 2016 10:07 PM
To: EBSA, E-ORI - EBSA
Subject: Proposed 5500 Revisions RIN 1210-AB63

December 5, 2016

Office of Regulations and Interpretations
Employee Benefits Security Administration
ATTN: RIN 1210-AB63

Via email: e-ORI@dol.gov

Re: Proposed 5500 Revisions RIN 1210-AB63

The Department of Labor has recently expressed concerns about auditing firms performing sub-standard audits of employee benefit funds while continuing to apply pressure on plan trustees and administrators to keep professional fees at a minimum. The proposed modifications to, and enhanced disclosures will significantly increase efforts and fees associated with completing Form 5500.

Investment Holdings:

It is generally agreed that modernized reporting is necessary and that current 'Plan Asset' reporting needs to be updated. Currently, many plans access non-traditional investments through non-publicly traded investment vehicles such as partnerships, corporations, pooled separate accounts, collective trust funds, funds that contain (either directly or indirectly through investments in 'Funds of Funds') derivatives, options, swaps, real estate, commodities, distressed/high yield and other debt, real property, and other non-traditional investments, any of which may or may not be leveraged. It appears that the proposed formats (separate off balance sheet reporting of plan assets, expanded categories for CCTs/PSAs, new categories for derivatives, commodities, real property, and others) and details of leveraged portfolios will not yield the desired consistent reporting of such non-traditional investments that are not held directly by a plan.

Income and Expenses:

It appears there has been no consideration to update the traditional calculation of realized and unrealized gains and losses for 5500 reporting purposes (utilizing fair market value at the beginning of the reporting period rather than historical cost). These calculations are burdensome, often ignored by many, and do not yield appreciable information to readers. As discussed above, due to the complex structures associated with alternative investments, it appears the requested breakdown of realized and unrealized appreciation/depreciation will not yield the desired consistent reporting of such non-traditional investments that are not held directly by a plan.

Accounting Fees:

The proposed segregation of accounting fees between 'Audit Fees' and 'Recordkeeping and Other Fees' may be misleading since, in many cases, for multi-employer plans, non-audit fees paid to accounting firms commonly include payroll audit fees. Accordingly, disclosures may be

enhanced by requiring separate breakouts of 'recordkeeping' and 'other services', rather than the proposed combined category.

<u>Proposed Schedules of Assets and Assets Disposed of During the Year:</u>

The continued requirement to report **every** asset holding results in volumes of data and dilutes the value of the disclosure. Alternatively, disclosing sales of non-publicly traded securities in excess of a specified threshold (consistent with the proposed schedule of Assets Disposed of During the Plan Year) would be more valuable to readers.

<u>Service Provider Disclosures:</u>

The requirement to disclose compensation greater than $1,000 for "Covered Service Providers" while continuing to require disclosure of compensation greater than $5,000 for other service providers is burdensome with limited reporting value. While many plans have merged and/or grown over the years, the $5,000 reporting threshold remained the same, thereby diminishing the value of these disclosures. Alternatively, requiring reporting compensation of any service provider more than a higher threshold (for example: $20,000 or a sliding scale based on Net Asset's Available for Benefits) would be more useful to readers.

<u>Schedule J – Group Health Plan Information:</u>

This new schedule, whose sole purpose is data mining will result in a significant cost to many plans and employers. Requiring these disclosures as part of the 5500 inherently puts the burden of gathering applicable information on the IQPA. If this information is, in fact, necessary, a direct submission by the plan to the Department of Labor would be more cost effective.

<u>Accountants' Information:</u>

The requirement to publicly disclose the name of the audit engagement partner and the proposed disclosure of the IQPA's peer review on a public document is beyond the intended public disclosure of plan information. Furthermore, as this level of detailed information is not required for any other plan service provider, it appears the Form 5500 is being used to demonstrate a bias against IQPAs.

We thank you in advance for your consideration of our recommendations.

Sincerely,

Jennifer Gebhardt

Jennifer Gebhardt, CPA | Associate
1034 South Brentwood Boulevard, Suite 2000
St. Louis, MO 63117
Ofc (314) 884-4024
Fax (314) 884-4074
Cell (314) 578-4047
Email: jgebhardt@purkpc.com
Click here to upload files securely

Please consider the environment before printing this e-mail