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October 29, 2021

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

Re: Comments on Proposed Revision of the Form 5500 Annual Information Return/Reports
(RIN 1210-AB97)

Dear Sir or Madam:

Principal Financial Group (“Principal”) appreciates the opportunity to provide comments on the proposed changes to the Form 5500 series annual information return/report (“Proposed Revisions”) issued by the Department of Labor (“DOL”), Internal Revenue Service (“IRS”), and Pension Benefit Guarantee Corporation (“PBGC”) (collectively “the Agencies”).

Principal is a leading retirement service provider, providing recordkeeping, investment, education, and administrative services to employers of all sizes and their employees. We currently provide retirement plan services to more than 48,000 retirement plans and 11.2 million employee participants.

Executive Summary

On September 15, 2021, the DOL, the IRS, and the PBGC, collectively called the “Agencies”, issued proposed regulations and form revisions to update and expand Form 5500 reporting obligations for retirement and health and welfare benefit plans.

The Proposed Revisions primarily relate to statutory amendments to ERISA and the Code enacted as part of the Setting Every Community Up for Retirement Enhancement Act of 2019 (“SECURE Act”), including the requirement for DOL and IRS to develop a consolidated Form 5500 reporting option for Defined Contribution Groups (“DCGs”) and the expansion of multiple employer plans to include a new type of plan called a Pooled Employer Plan (“PEP”). However, the Proposed Revisions also include changes that go beyond those required by the SECURE Act and would add significant complexity and cost for a much broader population of plans.

Given the Agencies have formally announced intent to issue a new regulatory project that will focus “on a broader range of improvements to the Form 5500 annual reporting requirements”¹, we ask the Agencies to delay all changes not related to those required by the SECURE Act until the more expansive regulatory project is introduced. As the proposed regulations were just released on September 15, 2021, the Agencies have not provided enough time for the software industry and recordkeepers to update their systems and processes. We estimate software vendors and recordkeepers will need to have systems in place by December 31, 2021, in order to start collecting necessary data for the 2022 Forms. These changes will take significant time and preparation to meet the proposed changes as currently written; new processes will need to be created, multiple systems built and tested, training executed, and education of plan sponsors and fiduciaries implemented.

General Comments

The Agencies indicate the Proposed Revisions will improve electronic use, increase transparency, and enable the Agencies to focus on compliance concerns more efficiently for retirement plan trusts, including those for Pooled Employer Plans and Defined Contribution Groups reporting arrangements. While we appreciate the Agencies initiative to make these improvements, we would like to submit for your review the following general comments.

Improvements in Efficiency

We support efforts by the Agencies to adopt additional changes that streamline and simplify the reporting process, reduce the administrative costs associated with filing the annual return, and otherwise reduce barriers to greater plan formation, particularly among small employers. In this regard, we support the following changes:

- We agree with the proposed change that a defined contribution pension plan would be required to include an IQPA (Independent Qualified Public Accountant) report with its annual report filing based on participants with an account balance at the beginning of the plan year. We believe this will reduce the burden of audit costs for smaller employers or plans with low participation rates.
- We also support replacing the Multiple-Employer Plan participating Employer Information attachment with a new Schedule MEP (Multiple Employer Pension Plan).

While not encompassed in the Proposed Revisions, we also recommend the Agencies consider the following changes to improve efficiencies in the reporting process:

¹ SECURE Act and Related Revisions to Employee Benefit Plan Annual Reporting on the Form 5500 (dol.gov).

- Move the Form 8955-SSA and Form 5558 to ERISA Filing Acceptance System 2 (EFAST2). It is challenging for filers to submit the Form 8955-SSA through the FIRE (File Information Returns Electronically) system as it is a web-based application, meant for a single sign on. EFAST2 is a more scalable, robust system and better suited for enterprise level processing. EFAST2 would ease the plan sponsors' burden by providing one place to approve both the Form 5500 to the DOL and the Form 8955-SSA to the IRS eliminating multiple processes and systems.
- Allow providers the ability to electronically file multiple Form 5558 at one time.

We also request clarification as to whether the Agencies considered making the same exception for Stable Value CCTs (Common Collective Trusts) as it has for FBRICs as the contract/book value/NAV is the amount participants would normally receive for both. We further request this be clarified in the instructions or by a FAQ.

The Form 5500 currently requires common collective trusts (CCTs) to report at fair value. Stable Value CCTs are very similar to FBRICs. Like FBRICs, the book value/Net Asset Value (NAV) is the relevant measure for these investments; that is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the plan.

This consistency would bring Form 5500 reporting in-line with the plan financial statements which currently require a reconciling footnote for stable value CCTs to bring the book value in the financial statements in balance with the fair value on the Form 5500. The Agencies stated in the 2019 Forms Modernization Proposal that they were trying to be more consistent with FASB audit and accounting requirements; this would be another step towards that goal.

DOL Proposed Revisions Comments

Hard-To-Value Assets

Under the Proposed Revisions, the Agencies have specifically identified CCTs and pooled separate accounts (PSAs), primarily invested in hard-to-value assets, to themselves be identified as hard-to-value assets, regardless of whether they are valued at least annually. We respectfully disagree that CCTs and PSAs should be identified as hard-to-value regardless of the underlying investments. For example, mutual funds invest in similar assets, including the hard-to-value underlying assets mentioned in the proposed guidance. While CCTs or PSAs may not be listed on an exchange, this does not mean the assets are valued any differently or have more risk than a mutual fund listed on an exchange. In addition, many small plan filers using Form 5500-SF currently invest in CCTs or PSAs. Labeling these investments hard-to-value could cause many Form 5500-SF filers to no longer be able to file this short form.

The Advisory Council Report on Employee Plan Auditing and Financial Reporting Models includes background commentary on Limited Scope Audits. It states,

“ERISA § 103(a)(3)(C) permits the plan administrator to exclude from the audit any plan assets held by a bank or similar institution or insurance carrier regulated by a state or federal

agency. Based on the statute's legislative history, the Council understands that ERISA contains this exclusion because Congress presumed that assets held by such institutions were already subject to a governmental audit and regulation and therefore at less risk. It also appears that at the time of ERISA's enactment in 1974, retirement plan assets were often held under insurance contracts or in trusts. Custodian banks or trust companies held assets and provided an independent valuation of asset values; most investments had readily ascertainable market values. Witnesses recounted that since 1974, the investment landscape has changed dramatically. Alternative asset classes and hard to value assets have exploded and hold a significant allocation in many plan portfolios. In short, the context in which the limited scope exemption was adopted no longer exists.”

We agree that plans are holding a wider range of assets, but that wide range is outside the CCT and PSA structure. As referenced above, CCTs and PSAs continue to be regulated by state or federal agencies and continue to be subject to governmental audit and regulation. We, as banks, trusts, and insurance carriers, continue to hold these assets and provide independent valuation of those assets. The valuation of CCTs and PSAs is consistent with a mutual fund, and in many cases, uses the same or similar custodian and valuation agents as mutual funds. Simply not being listed on a national exchange does not make it a hard-to-value asset.

In addition, plans do not own the underlying investments in CCTs or PSAs. The plan owns units of participation in the overall CCT or PSA. Under FASB Accounting Standards Codification™ (ASC) (Topic 820), CCTs and PSAs are able to use the NAV per share as a practical expedient to estimate the fair value of a CCT or PSA if the following criteria is met:

- The investee has calculated NAV consistent with ASC 946, which contains guidance on how investment companies calculate NAV;
- The NAV has been calculated as of the investor’s measurement date (e.g., date of the financial statements); and
- It is not probable at the measurement date that the reporting entity redeem the investment at an amount different from NAV.

If the Agencies seek to be consistent with FASB, it should allow CCTs and PSAs utilizing NAV as a practical expedient to be reported consistently with assets with readily determinable fair values rather than labeling them as hard-to-value.

Forms and Schedules

The proposed changes include new questions and additional details on the Forms and Schedules for many topics. For example, investments, trust information and nondiscrimination testing. The changes will create significant costs for recordkeepers and service providers to build the systems and places additional burdens on the plan sponsor and fiduciary. We submit the following examples for your consideration:

- Recordkeepers and Service Providers will need to build new systems to collect and store the data for new questions which come at a significant cost that will be passed on to the plan sponsor.
- Plan sponsor costs will increase due to the need for additional staff, or time spent by staff, to gather and maintain the required data as well as increased audit requirements.
- The filing process will become much more burdensome for plan sponsors and fiduciaries as they will be required to provide more data prior to the creation of the filing, and it will require more time to complete the filing due to the increased number of attachments and questions.
- The filing process will be more burdensome for software vendors and recordkeepers as data will need to be collected from multiple sources, systems will need to be updated, and additional communication with plan sponsors will be required.

Trust Information

We would challenge the proposed changes regarding Trusts as these requests directly contradict prior guidance, provide duplicate information, provide no information, or require additional clarification.

The Agencies are requesting Trust Information which was previously discontinued in 2006. The DOL announced the Elimination of Schedule P of the Form 5500 Series in Announcement 2007-63. The purpose of the elimination was to reduce administrative burden and to acknowledge the transition to an electronic filing environment.

Announcement 2007-63 states “To reduce administrative burdens of employers, plans, their administrators and trustees and custodians, and in anticipation of the transition to a wholly electronic filing environment under the EFAST, the Internal Revenue Service has determined that the continued use of a Schedule P, Annual Return of Fiduciary Benefit Trust, in connection with the filing of a plan’s Form 5500 is no longer necessary for the efficient administration of the of the Internal Revenue laws.”

The announcement clearly states that the Schedule P is no longer necessary; “Pursuant to the authority contained in §6033(a) of the Internal revenue code, the Schedule P, which may be completed by a trustee of an employee benefit trust as the annual return of the trust, is being eliminated.”

The request to provide the Employer Identification Number (EIN) used on Form 1099-R when no EIN has been assigned to the trust is a duplication. The EIN shown on the plan’s Form 1099-R is typically associated with a filing made by an institution which covers many plans and, therefore, has no direct relationship with the Trust being identified at line 6a. The Schedule R reports the EIN used on the Form 1099-R, so there is no reason to duplicate it on another schedule.

For plans with an insurance company as the recordkeeper, the four additional questions being proposed² will provide either duplicate information or no information at all. The questions do not fit the

² “Add trust questions to the Form 5500, the Form 5500–SF, and the IRS Form 5500–EZ, regarding the name of the plan’s trust, the trust’s EIN, the name of the trustee or custodian, and the trustee’s or custodian’s telephone

business model for insurance companies that provide recordkeeping services for retirement plans. Many of these clients utilize insurance company products, such as separate accounts, and do not have trusts. In addition, the trusts, which are created to hold non-insurance products do not have formal names or EIN numbers.

We ask the Agencies to provide additional guidance as outlined below:

- Please confirm that leaving the trust questions blank will not raise a red flag and increase the probability of an audit. If it will, we recommend a checkbox be added to indicate that the majority of plan assets are in insurance products instead of a trust.
- Please clarify whether the trustee or the custodian should be listed for the first trust question in situations where they are separate entities.

Schedule R, Part VII

Line item 11a is worded as follows, “Does the plan satisfy the coverage and nondiscrimination tests of Code sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules? Check one: Yes / No”.

Please confirm whether the IRS intends for this to be completed after such testing, if applicable, is completed for the period that corresponds to the reporting period of this Annual Report. It is important to note that this item cannot be answered according to provisions of the plan document, but that aggregating plans for Minimum Coverage may be elected permissively, if advantageous for one or more plans during the testing process.

Schedule H, Assets Held for Investments List, Line 4i

The Proposed Revisions to Schedule H would establish a standardized electronic filing format while dramatically expanding the required data elements, primarily in Line 4i³, related to the investment holdings of the plan including, for example, whether an investment is a Designated Investment Alternative or a Qualified Default Investment Alternative and, if so, the total annual operating expenses as a percentage of assets. In justifying this expansion, the Agencies point to the value of “third-party data aggregators” who will use the data to build tools that will help employers, participants and beneficiaries, the Agencies and other interested members of the public evaluate and monitor investment alternatives.

number. This information will enable the Agencies to more efficiently focus on compliance concerns for retirement plan trusts, including those for pooled employer plans and DCG reporting arrangements.” 86 Fed. Reg. 51491 (September 15, 2021).

³ 86 Fed. Reg. 51548 (September 15, 2021).

We respectfully disagree with the Agencies justification for this expansion.

- The Form 5500 serves as a tool for plan sponsors, participants and beneficiaries, and the Agencies. The costs to complete the annual filings that are borne largely by plan participants and beneficiaries should never be attributed to reporting elements that serve to accommodate anyone other than the parties for whom the Form 5500 was originally intended to benefit.
- The proposed expansion of investment data elements serves no beneficial purpose for employers or participants and beneficiaries as this data is already provided in required disclosures that are not dated as that in Form 5500 filed data.
- The required data elements and electronic reporting format will add significant cost in programming and preparation time, with most of that cost likely borne by plan participants and beneficiaries.

Schedule H, Plan Expenses Break-Out Categories

The Proposed Revisions would expand the administrative expense breakouts requested in Line 2. This will unnecessarily create additional burdens and complexity for recordkeepers, service providers, and plan sponsors while offering no additional benefit as this detail is already reported on the Schedule C, including more detailed information than what is proposed under the Schedule H expansion.

Schedule MEP

The proposal would modify the Form 5500 to reflect Pooled Employer Plans as a type of MEP and implement SECURE Act changes to MEP reporting of participating employer information. We would challenge that some of the information being requested on the Schedule MEP is a duplication.

Lines 1-5 on the Schedule MEP are a duplication as Form PR covers the acknowledgements being requested. According to the PR instructions filing a true, and correct registration statement, including any required updates, satisfies the requirement under section 3(44) of ERISA to register as a pooled plan provider with the DOL. Filing the Form PR also satisfies the requirement under section 413(e)(3)(A)(ii) of the Code to register with the Dept of Treasury. The Ack ID is also available on the EFAST website and can easily be obtained using the Pooled Plan Provider EIN.

We also request clarification on the following:

- Line 2: How should plans with no participants or asset values be handled? These plans will be adopted to meet state mandates but will not have participants or asset values.
- Line 2c: Should the total percentage of all participating employers equal 100 percent? Will it cause red flags with the DOL/IRS if it does not? In addition, how many decimal places should this number round to?

- Line 2d: Please provide guidance on the asset values that should be used including whether the Schedule H ending net value may be used. The instructions indicate to enter the aggregate account balance for the participating employer, determined as the sum of the account balances of the employees of such employer (and the beneficiaries of such employees).
- Line 6: Please confirm the information the Agencies are looking to obtain.

Consolidated Form 5500 for Defined Contribution Retirement Plan Groups

The proposal to establish a Schedule DCG (Individual Plan Information) in addition to the more generally applicable Form 5500 requirements for the new direct filing entity (DFE) called a DCG reporting arrangement will create more burden and cost for plan sponsors, auditors and recordkeepers:

- Large plan filers will incur costs for both the plan audit as well as the trust audit.
- Plan sponsors and plan administrators will have an additional burden as all plans under the DCG will be required to file a Form 5558 individually. This is unnecessary as there is only one Form 5500 being filed for the DCG plan.
- The DCG Schedule will create more work for the auditor. The auditor will be required to review each DCG and reconcile to the Plan level. The auditor will still need financial and expense information at the plan level. This information is not included on the DCG, requiring more work for auditors and recordkeepers to provide the data. We suggest creating a new attachment or schedule similar to the Schedule MEP that includes the fee and commission information for each adopting employer.
- We request the regulator provide more guidance on Form 8955-SSA for DCG plans including whether one may be filed on behalf of the DCG plan.

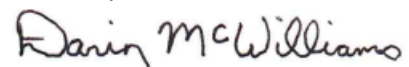
Schedules MB/SB

The proposal includes changes to the Schedule MB and Schedule SB for defined benefit plans. These changes are intended to improve reporting but will create more burden and increase costs to providers and plan sponsors.

- On Schedule SB modifications, line 26, the additional information requested (retiree data stats, term vested data stats, and cash flows) creates additional burden to service providers. The costs associated with system upgrades and additional resources required to prepare forms and provide information will be passed on to the plan sponsors. The purpose of the information is not clear as the information being requested is already collected through PBGC's early warning programs and seems unnecessary for well-funded plans.
- Schedule SB modifications, Part IX, adds a section to collect a sponsor's ARPA elections and seems unnecessary after the recent publication of IRS Notice 2021-48 as election dates would be known by looking at forms and attachments from current or prior filings.
- The required data proposed for Schedule MB modifications, Line 8, will be burdensome for software providers and service providers to analyze and implement. In addition, the costs involved in this work would be passed on to plan sponsors.

We respectfully submit the above comments to the Agencies for review and consideration as part of your process as you consider all industry responses received concerning the current Form 5500 future enhancements.

Sincerely,

A handwritten signature in black ink that reads "Darin McWilliams". The signature is written in a cursive, slightly slanted style.

Darin McWilliams
Principal Financial Group
Retirement and Income Solutions