

Modernization and Improvement of the Form 5500

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On July 11, 2016 the Department of Labor (DOL), in coordination with the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC) (together called the Agencies) announced their proposed revisions to the Form 5500 Annual Return/Report series. The entire **Notice of Proposed Forms Revisions to the Form 5500 Annual Return/ Report Series** is available in the [Federal Register July 21, 2016](#). In addition, the DOL's **Notice of Proposed Rulemaking** to propose updates to its reporting regulations to implement these proposed form revisions is also available as of July 21, 2016.

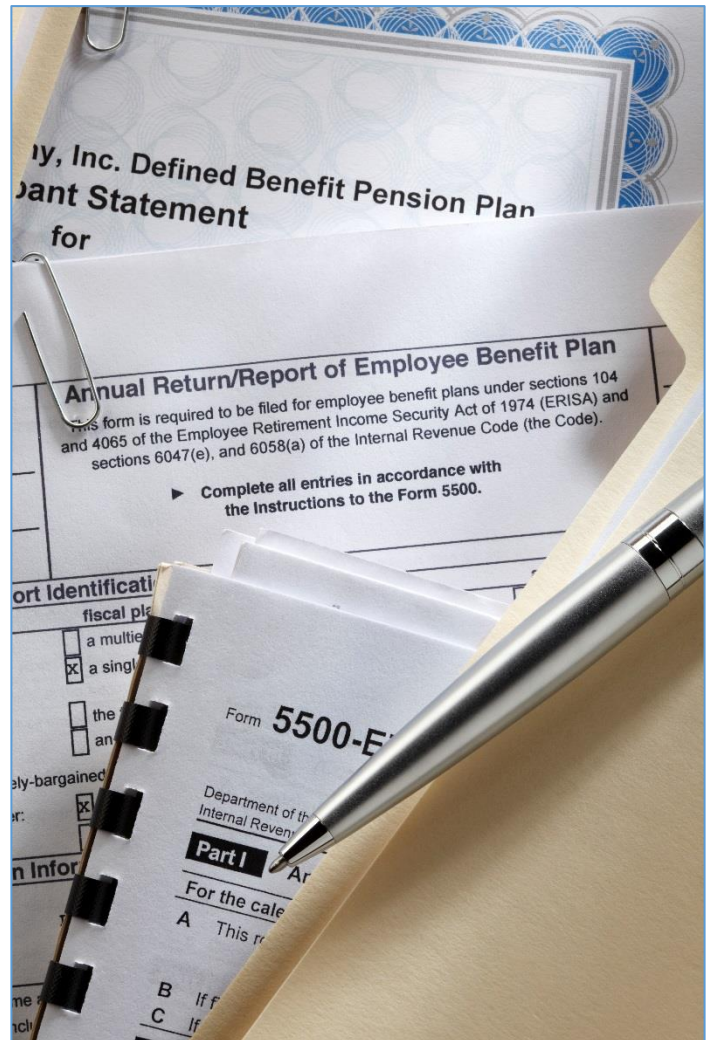
The Agencies' [Fact Sheet](#) on the improvements states, *"the proposed changes and the DOL 's implementation of new regulations are necessary to address changes in the law, the employee benefit and financial market sectors, as well as corresponding shifts in the data needed for the Agencies' enforcement priorities, policy analysis, rulemaking, compliance assistance and educational activities."*

The Form 5500 Annual Return/ Report is the primary source of information for the estimated 2.3 million health plans, a similar number of other welfare plans, and nearly 681,000 defined benefit and defined contribution retirement plans in the United States. As the primary source of information about the operation, funding, assets, and investment of these pension and other employee benefit plans, it is essential that the Form 5500 keep pace with changes in the legal requirements governing employees benefits and market developments. Besides the DOL, IRS, and the PBGC, Congress and other Federal agencies, as well as the private sector, rely on the Form 5500 as an important source of information for economic trend and policies.

Five Areas Covered by Proposed Changes to Form 5500

Modernize financial reporting

- Improve the reliability and transparency of plan investments and other financial transactions information, with a focus on:
 - Alternative investments
 - Hard-to-value assets
 - Collective investment vehicles (e.g. pooled funds or common trust funds)



- Foster ongoing monitoring of plans by employers, plan fiduciaries, and participants and beneficiaries
- Improve the ability of Agencies to fulfill their statutory oversight roles

Provide greater information regarding group health plans

- Eliminate the exemption from Form 5500 reporting for small insured and self-insured welfare benefit plans
 - New Schedule J – Group Health Plan Information

- Questions include whether it is a high deductible plan and information on rebates or reimbursements received from service providers
- Clarify compliance with new ERISA section 715(a)(1) related to the preventative medicine requirements of group health which were mandated by the Affordable Care Act

Enhance data mineability

- Convert more areas of the Form 5500 into data or information that is computer-processable and identifiable for data-mining and analytical purposes:
 - Primarily the schedules of assets held for investment purposes
 - Allow the private sector to develop individualized tools:
 - To aid plan evaluation by employers
 - To make it easier for employees to manage their own retirement savings

Improve service provider fee information

- Match the reporting of service providers on Form 5500, Schedule C with the final service provider disclosure regulations of the DOL to improve the evaluation of service by employers on:
 - Investment services
 - All types of compensation for “covered” service providers will be reported
 - Reporting of the name only of service providers receiving “eligible indirect compensation” will no longer be allowed
 - Recording keeping
 - Other administrative services

Enhance compliance with ERISA and the Internal Revenue Code

- Add new questions regarding:
 - Plan operations
 - Service provider relationships
 - Financial management of plans
- Make fiduciaries evaluate plan compliance under ERISA and the IRC
- Provide the Agencies with improved tools to focus their oversight and enforcement resources

DOL’s Proposed Regulations

Update the requirements for certification for limited scope audits

- Allow plans to exclude from the examination and report of an independent qualified public accountant (IQPA) any statement or information regarding plan assets held by:
 - banks,
 - similar institutions,
 - or insurance carriers
- The certifications will be more detailed and informative by requiring:
 - Certification must be a separate document from the list of plan assets
 - Identify the bank or insurance company holding the assets
 - Give a description of the manner in which the bank or insurance company holds the assets covered by the certification