

Scannable Form 5500 Comment Letter

August 5, 1999

EFAST Scannable Form 5500
Pension and Welfare Benefits Administration
U.S. Department of Labor
200 Constitution Ave., N.W., Room N-5479
Washington, DC 20210

Re: Comments on Computer Scannable Versions of the New Form 5500

Dear Sir or Madame:

The American Society of Pension Actuaries ("ASPPA") previously submitted lengthy comments, dated November 3, 1997, covering the proposed revision of the 5500 series forms. We also testified at the public hearing held on November 17, 1997, at which time the scannable forms were unavailable. ASPPA is a national organization of approximately 3,700 members who provide actuarial, consulting, administrative, legal and other professional services for about one-third of the qualified retirement plans in the United States, the majority of which are maintained by small businesses. ASPPA's mission is to educate pension actuaries, consultants, administrators, and other benefits professionals and to preserve and enhance the private retirement system as part of the development of a cohesive and coherent national retirement income policy.

ASPPA is submitting the following comments on the proposed computer scannable versions of the Form 5500, which were released for public comment on June 28, 1999 (PWBA Federal Register Notice, Volume 64, Number 123, page 34686-34687). As explained below:

- 1) generally, our members are more concerned with a form's content than its format,
- 2) both of the proposed scannable versions are excessively bulky,
- 3) the format proposed by Vendor #2 is more streamlined and familiar,
- 4) the 1999 Form 5500 needs to be released at the earliest possible date, and
- 5) we recommend a transition rule for certain plans with a short plan year in 1999.

1) Generally, our members are more concerned with a form's content than its format. While there may be some advantage to staying with a more familiar format, practitioners are accustomed to using the format we are told to use. The vendors and the government agencies may be in a better position to judge what format they need in order to process scannable forms. We encourage you to select the format which will get the project finished quickly, so that the forms can be released at the earliest possible date and still be completed easily and processed with minimal rejection (more on this below, see [#4](#) and [#5](#)).

Our members and most practitioners will generate forms using computerized software programs, but the hand/typewriter version proposed by Vendor #2 may not be a good idea, even for the low volume filer. Presumably only one digit or letter must be entered in each box. If so, the large amount of information which must be entered on the form makes this a tedious process so that the form will be difficult to type with any speed and preparers may be encouraged to handwrite (illegible) forms. Also, if photocopies of the hand/typewriter version cannot be used, it will be harder for the filer to obtain forms, because "original" forms must be ordered well in advance and cannot be downloaded from the internet or created on a photocopy machine.

2) Both of the proposed scannable versions are excessively bulky. As noted below, with the exception of Schedules C, D, & G, Vendor #2 was able to create shorter scannable forms than Vendor #1. Also, if Vendor #2 is selected, could Schedules C, D, and G be re-designed to use less paper?

Perhaps making a form "scannable" requires more white space on the page and inevitably a longer form. While not every plan is required to file every schedule (or even every page of the schedules it is required to file), it is

interesting to compare the total number of pages in the "1999 Proof 6/98" version to the scannable version proposed by each vendor:

Version	Number of Pages in Forms & Schedules
1999 Proof (as of 6/98).....	29 (includes 1 page for Form 5500EZ)
Vendor #1.....	72 (includes 5 pages for Form 5500EZ)
Vendor #2.....	64 (includes 3 pages for Form 5500EZ)

Overall, the scannable forms proposed by Vendor #2 use less paper than that of Vendor #1. However, for Schedules C, D, and G, Vendor #2 uses twice the number of pages as used by Vendor #1. Vendor #2's Schedules C, D, and G seem to have excessive amounts of blank space, especially when compared to the other schedules proposed by Vendor #2.

If selected, we would hope Vendor #2 could re-design (shorten) Schedules C, D, and G. However, if doing so would unduly delay the issuance of the 1999 Form 5500, then we suggest using the proposed format for 1999 and implementing the shortened version for the next year.

Overall, both vendor's formats result in the completed annual return/report becoming a more voluminous package to copy, to mail, and to store. While we are aware that both electronic filing and storage are possible, the reality for service providers is that our clients (as the plan sponsors) will expect a hard copy of the 5500 forms for their records, particularly since inquiries will be directed to them.

3) The format proposed by Vendor #2 is more streamlined and familiar. The format proposed by Vendor #2 is visually easier to follow and it is also more similar to the 1998 version with which preparers are familiar. A more familiar format may make preparers and plan sponsors more comfortable with the transition to the new forms. For example, on Vendor #2's form it is easier to see at-a-glance which question is being answered. In contrast, there is more than 5 inches between lines 2a and 2b on Vendor #1's format, making the question numbers almost seem to disappear on Vendor #1's format.

4) The 1999 Form 5500 needs to be released at the earliest possible date. As explained in our earlier comments, it will take time to get ready for the new 1999 forms, so that they can be completed accurately and filed timely. Some of the reasons we need the forms released as soon as possible include:

(a) Practitioners and other preparers need time to study and learn the new forms and filing requirements, as well as inform their clients (i.e., the plan sponsors) about what data to save and collect so that the forms can be completed accurately. As noted next, more time may be needed for preparers to implement the scannable forms.

(b) We did not find any instructions released with the proposed scannable forms to explain what, if any, additional handling or equipment will be needed for the preparer to file scannable forms. If the scannable forms impose any additional requirements, then preparers will need extra time to learn and implement them.

(c) Software vendors need time to write and perfect the software programs which many preparers use to generate Form 5500 and its many schedules. If the scannable forms require extra programming, then more time will be needed to get the programs written, de-bugged, and distributed.

(d) Those preparers who use computer-generated forms, must install, learn, and work out the inevitable "kinks" in the new Form 5500 software,

(e) Until preparers gain experience with the new forms and filing requirements, we anticipate that the forms will take more time to complete than usual. Also, for most plans, the plan year is a calendar year, so practitioners that prepare forms for many plans will be implementing new forms and filing requirements during their highest volume filing season when they already have a work overload. Preparers will need to start earlier than normal to be able to get completed forms filed on

time, but there isn't much preparers can do to prepare in advance of the release of the final forms and instructions.

5) We recommend a transition rule for certain plans with a short plan year. Many plans have already had a "short plan year" which began and ended in 1999 and their filing deadline is either rapidly approaching or they need to file their 5500 forms without delay. A plan may have a "short plan year" because it changes its plan year or because of a complete distribution of assets of the plan (such as may occur as a result of a plan merger or plan termination). When a complete distribution occurs, it may be related to the plan sponsor going out of business and, thus, it is imperative that the Form 5500 be filed at the earliest possible date while the plan sponsor still exists.

The current instructions for the 1998 Form 5500 specify under When To File: "(i)f the current year Form 5500 is not available before the due date of your short plan year return/report, use the latest year form available and change the date printed on the return/report to the current year." Since the final 1999 forms are not available, DOL spokesmen have suggested that the plans which have had a "short plan year" in 1999 may use the 1998 forms (changing the date from "1998" to "1999" as per the instructions just quoted) referred to below as the "modified 1998 form." In fact, many plans have already used the modified 1998 form to meet their 1999 filing requirement.

We are concerned that a literal reading of the 1998 instructions (quoted above) might cause the modified 1998 form (filed by a plan for a short plan year in 1999) to be rejected if the 1999 form becomes final and is released "before the due date" of the return/report being filed for the short plan year. For example, if a short plan year starts on January 1, 1999, and ends on January 31, 1999, the 1999 Form 5500 is normally due on August 31, 1999. If the plan has already filed its 1999 return, using the modified 1998 form, but the final 1999 Form 5500 is released on, say August 25, 1999, or some later date, will the plan be required to file an amended return for the short plan year using the newly released 1999 form? In our view, it should not be. Rejecting the return and requiring the plan to use the 1999 form would impose an undue burden and expense on the plan which filed early. Also, the plan sponsor may already be out of business.

Therefore, although the 1999 form requests different information than required on the 1998 form, we suggest that a transition rule should be adopted, and announced, to permit any plan which has a short plan year in 1999 and uses the 1998 form with the date changed, as described above, to meet its 1999 filing requirement.

In summary, we urge you to release the 1999 Form 5500 as soon as possible. We believe Vendor #2's format may be easier for practitioners and others to learn and use because it is more similar to the existing (1998) version of the Form 5500 and, generally, has fewer pages than the other vendor's format. For plans which have a short plan year in 1999, we recommend that you adopt a transition rule which does not require the 1999 version of the form to be filed if the plan had a short plan year and already filed the modified 1998 form as described above.

These comments were compiled by ASPPA's Government Affairs Reporting and Disclosure Committee. The principal authors are Joan Gucciardi (Wauwatosa, Wisconsin), Valeri Stevens (Torrance, California), and Janice Wegesin (Palatine, Illinois).

Please feel free to contact us for clarification.

Sincerely,

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