

MODERNIZING FORM 5500

In July of 2016, the Department of Labor (DOL), the Internal Revenue Service and the Pension Benefit Guarantee Corporation jointly released a set of proposed changes that will increase reporting requirements for nearly all retirement plans. Northern Trust is reviewing the proposal thoroughly with a view toward providing feedback to the agencies, and we encourage our plan sponsor clients to do the same.

OBJECTIVES

The agencies have laid out a series of objectives for the proposed rule changes. These include:

- Modernize financial information reported by filers;
- Improve data mineability for the regulators, plan sponsors, and third-party data collectors;
- Expand reporting by all group health plans covered by Title I of ERISA;
- Improve compliance and oversight through questions regarding plan operations, service provider relationships and financial management of the plans.

Changes to Form 5500 were proposed in conjunction with the rebid for the ERISA Filing and Acceptance System (EFAST2) contract. The current contract runs through the 2018 filing year. EFAST2 is expected to begin processing the Plan Year 2019 Form 5500 Annual Return/Report beginning January 1, 2020. If adopted, the proposed changes would apply for plan years beginning on or after January 1, 2019.

Plan sponsors are encouraged to provide feedback on the proposed changes through:

- Federal eRulemaking Portal:
<http://www.regulations.gov>
- Email: e-ORI@dol.gov (Include “RIN 1210–AB63” in the subject line)

All comments will be made available to the public online.

TOP 10 SCHEDULE MODIFICATIONS

Northern Trust has a team of specialists reviewing various aspects of the proposed changes and is working with industry groups to fully understand the impacts on plan filers. Below is a high-level overview of some of the changes to Form 5500 schedules and attachments.

1. Schedule C: Service Provider Fees

Requires more granularity of service provider fees, relationships to the plan and compensation type

2. Schedule D: Direct Filing Entity (DFE) and Participating Plan Information

“Master Trust Investment Account” reporting is eliminated and plans must instead show their proportionate interest in each holding of the master trust

3. Schedule E: Employee Stock Ownership Plan (ESOP)

New schedule used to gather information about ESOPs that provides information of interest to both the DOL and IRS

4. Schedule G: Financial Transaction Schedules

Requires a breakdown of fixed-income obligations that are in default or uncollectible, including certain derivatives, and reporting of non-exempt transactions

5. Schedule H, Part I: Asset and Liability Statement

Expands asset breakdown to include segregation of new categories, such as publicly traded vs. non-publicly traded assets, foreign investments, alternative assets, insurance products, derivatives and self-directed brokerage accounts investments

6. Schedule H, Part II: Income and Expense Statement

Expands asset categories for administrative expenses, participant vs. plan-level fees and income

7. Schedule H, Attachments

The Schedule of Assets Held requires the inclusion of security identifiers and flags hard-to-value assets

The Schedule of Assets Sold has been expanded to include all assets sold during the year (except those currently excluded), not just those acquired and also sold within the year

8. Schedule H, Parts III and IV: Compliance Questions

Contains more than two dozen new compliance questions related to auditor signoffs, trustee certifications, plan design questions around

participation rates, matching, etc., and plan mergers, terminations and consolidations

9. Schedule J: Group Health Plan Information

New schedule that was added to capture information about group health insurance plans, regardless of size or funding status

10. Schedule MB: Multiemployer Defined Benefit Plan & Certain Money Purchase Plan Actuarial Information

Provides more transparency to multiemployer plans and new data formatting requirements

Contact Northern Trust to Learn More

To learn more about Northern Trust's support for your regulatory needs, contact your Northern Trust relationship manager, or visit northerntrust.com.

NEXT STEPS: PROVIDE FEEDBACK

Northern Trust is working with industry peers to comment on a number of these changes. We will focus on plan investments and other activities that relate to custodial records. We encourage plan sponsors to talk to their other service providers—record keepers, third-party administrators, etc.—to learn of challenges that concern them.

Further, we encourage plan sponsors to work with their industry peers to muster a strong, collaborative and well-supported response to the DOL's proposal, especially aspects of the proposal related to plan design and administration.