

MEMO# 1065

March 23, 1989

REVISIONS TO 5500 SERIES OF FORMS

March 23, 1989 TO: PENSION MEMBERS NO. 20-89 RE: REVISIONS TO 5500 SERIES OF FORMS _____ In September 1986, the Internal Revenue Service, the Department of Labor and the Pension Benefit Guaranty Corporation proposed revisions to the 5500 series of forms, which are filed annually by administrators of employee benefit plans. (See Institute Memorandum to Pension Members No. 19-86, dated October 7, 1986.) Subsequently, the Department of Labor proposed corresponding revisions to regulations regarding annual reporting and disclosure. (See Institute Memorandum to Pension Members No. 8-87, dated February 3, 1987.) Attached are copies of the final versions of the forms as well as the final annual reporting and disclosure regulations. The following memorandum describes the relevant changes to the forms. Form 5500 Items 34c(xi) (Value of interest in certain investment arrangements) and 35b(vi) (Net investment gain (loss) from certain investment arrangements) have been added to Form 5500 in response to an Institute request for clarification concerning the reporting of plan investments in registered investment companies. (See Institute Memorandum to Pension Members No. 22-86, dated November 10, 1986.) The instructions to Item 34c(xi) require that the plan administrator combine the plan's interests in common/collective trusts, pooled separate accounts, master trusts, 103-12 IEs and registered investment companies. The plan administrator is instructed to calculate the net investment gain or loss in Item 35b(vi) for a particular investment as follows: (1) the current value of the plan's interest at the end of the plan year; (2) minus the current value at the beginning of the plan year; (3) plus any amounts transferred out of the investment by the plan during the plan year; and (4) minus any amounts transferred into the investment by the plan during the plan year. Form 5500-C As proposed in 1986, Form 5500-C required the reporting of only summary financial information for plans with 25 or fewer participants and more detailed financial statements for plans with 26 to 99 participants. The final form requires the more detailed financial statements for all plans filing Form 5500-C. Form 5500-R The final Form 5500-R incorporates Items 13 and 14, which request financial information concerning the plan. The preamble to the notice of revision explains that the agencies believe that the availability of such financial information will enhance their ability to monitor the financial condition and activity of the plans. The Form 5500-C/R triennial reporting system remains unchanged. Schedule C The 1986 proposal included a new Schedule C to the 5500 series for reporting service provider and trustee information. In its comments, the Institute recommended that the form be eliminated or at least modified to explain more clearly the requested information. The agencies have elected to require Schedule C only in connection with the filing of Form 5500. Therefore, plans with fewer than 100 participants filing Form 5500-C will not be required to file Schedule C. We will keep you informed of further developments. Kathy D. Ireland Assistant General Counsel Attachments

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.