

GAO Highlights

Highlights of [GAO-14-441](#), a report to the Ranking Member, Committee on Education and the Workforce, House of Representatives

Why GAO Did This Study

The Form 5500 is the primary means of collecting information for use by the federal government and the private sector on retirement plan assets, which exceeded \$6 trillion in fiscal year 2011. Stakeholders, including those who prepare and use the form, have raised concerns about the quality and usefulness of form data. GAO was asked to review Form 5500 plan investment and fee information.

In this report, GAO examined: (1) stakeholder problems with Form 5500 plan investment information; (2) stakeholder problems with Form 5500 service provider fee information, and (3) challenges DOL, IRS, and PBGC face in collecting and revising Form 5500 information. GAO surveyed a panel of plan sponsors, service providers, representatives of plan participants, and researchers; interviewed agency officials; and reviewed studies on Form 5500 data.

What GAO Recommends

GAO recommends DOL, Treasury, and PBGC consider modifying Form 5500 plan investment and service provider fee information to address challenges identified by our panel. DOL, Treasury, and PBGC should look for options to conduct advance testing when making major revisions to the form. Congress should consider granting Treasury authority to require Form 5500 data be filed electronically. PBGC agreed with the recommendations. DOL and Treasury did not state whether they agreed or disagreed with the recommendations; however, they identified actions underway to address the first recommendation. GAO continues to believe the recommendations are valid.

View [GAO-14-441](#). For more information, contact Charlie Jeszeck at (202) 512-7215 or jeszeckc@gao.gov.

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PRIVATE PENSIONS

Targeted Revisions Could Improve Usefulness of Form 5500 Information

What GAO Found

In a two-phase online GAO survey, stakeholders identified problems with the usefulness, reliability, and comparability of data from the Form 5500 (see table). Despite longstanding concerns with the Form 5500—the annual report that employee benefit plans file with the federal government—agency officials have made only minimal changes over the last 3 years.

Key Challenges Identified with Form 5500

Weaknesses in the format	Plan asset categories break out plan assets differently from the investment industry, and provide little insight into plan investments, their structure, or the level of associated risk. In particular, the majority of respondents indicated that the “other” plan asset category in the form is too broad because it can include many disparate types of investments. Respondents also indicated challenges in identifying the underlying holdings of plan assets invested in indirect investments.
Challenges in finding key information	The form lacks detailed information on plan investments because there is no structured, data-searchable format for attachments to the form and the filing requirements on plan investments is limited for small plans, which have less than 100 participants.
Inconsistent data	Naming conventions and identification numbers may be inconsistent, making it difficult to collect and accurately match records.

Source: GAO analysis of survey responses from our two-phase Form 5500 stakeholders panel.

Stakeholders said the form’s information on service provider fees was misaligned with other required fee disclosures, and also cited various exceptions and gaps in current reporting requirements as major challenges. Specifically, Form 5500 service provider fee information does not align with other information that service providers must disclose to plan sponsors, forcing providers to produce two different sets of information. Also, differences in service provider compensation types and the lack of definitions for codes designating the types of services provided can result in inconsistent and incomplete data being reported. Other exceptions and gaps in service provider information result in an incomplete picture of plan fees. For example, large plans—those with 100 or more participants—are not required to report fee information for certain types of compensation and small plans file only limited fee information.

The Department of Labor (DOL), the Internal Revenue Service (IRS), and the Pension Benefit Guaranty Corporation (PBGC) face significant administrative, statutory, and contractual challenges to collecting and revising the annual reporting information required for regulating private pensions. While the rulemaking process and other informal efforts to solicit stakeholder input have provided opportunities for public reaction to proposed changes to the form, these opportunities have been limited and have not included the advance testing OMB guidance suggests. Stakeholder input could lower costs by reducing subsequent changes, improve filer comprehension, and increase the comparability and reliability of the form’s data. Additionally, a statutory prohibition against requiring electronic filing caused IRS to remove certain data elements from the Form 5500 after DOL mandated electronic filing of the form. If IRS were able to require electronic filing, it could add the data elements back to the form, which would improve its compliance, restore robust information to its enforcement activities, and decrease its data collection costs.