

PENSION RIGHTS CENTER ADDENDUM TO THE JUNE 7, 2017 STATEMENT TO THE
ERISA ADVISORY COUNCIL

July 20, 2017

Summary Annual Report (SAR)

The SAR serves as an important enforcement tool. It provides financial information to participants, including asset values and plan expenses that can alert them to irregularities which, in turn, can prompt them to question the plan administrator or contact EBSA with a concern. Since EBSA does not have the resources to directly review all 5500s, enforcement can depend on participant inquiries. In addition, the requirement to furnish SARs keeps plan sponsors and their service providers mindful that plan financial information will be directly reviewed by participants.

The Center would like to see several questions added to the current SAR model notice. These include questions about loans in default, leases in default, transactions in excess of 5 percent of plan assets, and parties-in-interest transactions. If the model SAR duplicates the fee and investment disclosures already required for participant-directed individual account plans, these could be eliminated for the SARs for those plans.

The Center does not believe that simply notifying participants of the availability of Form 5500 is a good substitute for an SAR. A 5500 is a complex report and difficult to decipher, particularly for large plans. Additionally, a notice of availability requires action on the part of participants, and possibly copying charges.

According to the BLS National Compensation Survey, seventy-four percent of workers in defined contribution plans are in thrift savings plans. That leaves twenty-six percent of workers in other types of DC plans, such as deferred profit sharing, money purchase and ESOPs. The Pension Rights Center website has a fact sheet on ESOPs.

<http://www.pensionrights.org/publications/fact-sheet/problems-esops>