

Addendum to Supporting Statement Schedule SSA

Status of the Terms of Clearance

0960-0606

During the OMB approval process for Schedule SSA in 2003, we received comments from one member of the public in reply to our Federal Register Notice publication. After reviewing these comments the agency felt that several of the suggestions had merit and needed further evaluation and discussion with the IRS. As a result OMB issued a 1-year approval with the following terms of clearance:

Terms of Clearance:

Approved for use through 8/2004 under the conditions that:

1) Consistent with commitments in this package's supporting statement, SSA continues to address this PRA clearance round's public comments; and 2) amends this package as appropriate in response to these comments.

To comply with the OMB clearance terms below are the original comments, SSA's reply and the current status of the suggestion.

Original Public Comments from 2003, SSA Reply & Current Status

Original Comment:

Fluctuation Of Defined Contribution Account Values – Currently, Schedule SSA requires the value of the account on separation of service be reported for defined contribution plan participants. For daily valued accounts, record keepers are required to store the balance every day of the year. This adds cost to the administration of the plan that typically is passed down to participants. This reporting requirement seems unnecessary when the deferred benefit paid later will be different due to interest earned on the account balance and in most cases; a defined contribution plan participant takes their money from the plan prior to retirement. We recommend removing line 3 (g) units or shares and line 3 (h) total value of account for defined contribution plans since the information reported is often-times meaningless and doesn't reflect the benefit received at retirement. If a value is necessary, it could be based on: (1) the last day of the plan year, (2) the date the schedule is prepared, but not at the date separation of service occurred or (3) a representative value within the twelve-month period of the Schedule SSA report date.

SSA Response:

SSA agrees that this suggestion has merit and will further evaluate the feasibility of removing the requirement to provide units or share and total value of the account for defined contribution plans.

Current Status:

SSA plans to discuss this issue with the IRS when we revise the Memorandum of Understanding (MOU) on ERISA. However, it should be noted that since this form is an IRS collection it is contingent on their need for the information.

Original Comment:**Reporting More Separated Participants than the 2002 Schedule SSA**

Allows - Before the 2002 reporting requirements, plan administrators had the option to file an attachment reflecting all of the plans separated participants. Attachments were created to report several separated participants on one page. The new requirements to use page 2 of the schedule that only allows two separated participants to be reported at a time will dramatically increase the amount of paper produced, which in turn may increase the cost to prepare Form 5500 filings, especially for larger plans. Understanding the SSA's need to receive uniform reporting of separated participants, we request the SSA to create an attachment to the Schedule SSA that allows more than two participants to be reported on one page.

SSA Response:

The IRS is considering ways of decreasing the number of page 2 required by filers of more than 2 separated employees for the TY 2003 form by allowing the filer to report more than 2 separated participants per page. There are also software and payroll providers who are looking into this issue and working on a solution to decrease the number of page 2 reports. We hope to have these changes implemented in time for the 2003 filing.

Current Status:

Based on our request IRS has increased the number of separated employees reported on Schedule SSA to 4. We have asked that this be further increased and IRS has told us that they may be able to increase the total to eight in the near future. In addition, the instructions on the 2003 Schedule were updated to reflect same. (See highlighted area of attached instructions.)

Original Comment:

Additional Suggestions - In addition, line 3(i) previous sponsor's employer identification number and line 3(j) previous plan number are used in instances where the benefits have transferred to another plan (i.e.: mergers, plan to plan transfers, etc.). These line items would be unnecessary if the old plan is required to show the participant as no longer eligible to receive a benefit and the new plan reports the participant as entitled to receive a benefit. The new recordkeeper has limited access to previous employer's EIN and plan number. We recommend removing lines 3(i) and (j) from the schedule and requiring plans to report when individuals are/are not entitled to receive deferred vested benefits.

SSA Response:

This may have some merit except that in cases of mergers, some information is still needed on the old plan. We will further evaluate the merit of this suggestion.

Current Status:

SSA plans to introduce this issue to the IRS when we revise the current MOU. We expect to meet with IRS in the first quarter of the new fiscal year to begin discussions on revising the MOU.

Original Comment:

Limited Reporting For 403(B)(1) And 403(B)(7) Plans - Internal Revenue Code (IRC) Section 6057 requires the completion of Schedule SSA annually. However, pension plans using the tax deferred annuity arrangement and/or custodial account for regulated investment company stock are eligible for limited annual reporting.

The Form 5500 instructions for these arrangements indicate no schedules should be attached to the annual report. Currently, we provide Schedule SSA for these customers pursuant to IRC § 6057, but the instructions imply this schedule isn't required. We request that the Social Security Administration clarify if Schedule SSA is required for 403(b)(1) and 403(b)(7) arrangements.

SSA RESPONSE:

The issue of whether schedule SSA is required for IRS Code section 403(b)(1) and 403(b)(7) arrangements is an issue for IRS determination. We may suggest this to the IRS the next time the Schedule SSA is updated.

Current Status:

SSA plans to present this issue to the IRS when we revise the current MOU.