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[Review of Records Management Practices for Reports Required To Be Filed under the Employee Retirement Income Security Act of 1974]. HRD-78-27; B-164292. December 29, 1977. 8 pp.

Report to Sen. Sam Nunn; Sen. Charles H. Percy; by Elmer B. Statts, Comptroller General.

Issue Area: Federal Records Management (1400).
Contact: Human Resources Div.
Budget Function: Income Security: General Retirement and Disability Insurance (601).
Organization Concerned: Department of Labor.
Congressional Relevance: Sen. Sam Nunn; Sen. Charles H. Percy.
Authority: Employee Retirement Income Security Act of 1974, title I (29 U.S.C. 1001). Welfare Pension Plans Disclosure Act of 1958, as amended (29 U.S.C. 301).

At the request of the U.S. Senate, the records management practices of the Department of Labor were reviewed as they related to financial and other reports required to be filed by labor-management welfare and pension plans. The Employee Retirement Income Security Act of 1974 (ERISA) requires pension and welfare benefit plan administrators to report and disclose extensive information about pension and welfare benefit plans and their operations and financial condition to the Department of Labor, plan participants, and beneficiaries. Among the reports required are the plan description, summary plan description, and the annual report. The contents of these reports are then incorporated into the Department of Labor's records management system. Findings/Conclusions: The actions taken by the Department of Labor recognized the need for an efficient and effective records management system. The system implemented to manage reports filed under ERISA involves a combination of computerized information and microfiche reports. The most beneficial aspect of the microfiche is that it saves storage space and provides for selective and ready access to reports filed under ERISA. The computerized data allow for quick retrieval and statistical analysis of information from the reports. After the data are computerized and/or microfiche, the original reports can be shipped to the Federal records center, and complete records can be easily and promptly retrieved from microfiche files without delay. The number of misfiled or lost reports and errors which were found in a test of the effectiveness of the system was not significant considering the magnitude of the records management system being implemented. With refinement of the verification and reconciliation procedures, the records management system should efficiently and effectively meet the Department of Labor's enforcement and disclosure needs. (SW)

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548



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04621
B-164292

The Honorable Sam Nunn
United States Senate

The Honorable Charles H. Percy
United States Senate

We received your March 24, 1977, letter, which transmitted a copy of the "Supplemental Staff Study of Severance Pay-Life Insurance Plans Adopted by Union Locals," released by your Subcommittee on March 21, 1977. The staff study included two recommendations relating to the General Accounting Office.

The first recommendation was that the General Accounting Office be requested to review the records management practices of the Department of Labor as they relate to financial and other reports required to be filed by labor-management welfare and pension plans.

The second recommendation was that the Department of Labor and the General Accounting Office undertake comprehensive inquiries to ascertain the extent to which there has been a failure of fiduciary responsibility to rank and file union members when adopting severance pay and other employee benefit programs.

This report deals only with the first recommendation. As discussed with your office, we do not have access to the pension plan sponsors' records. We reached an agreement with your office not to perform the study requested in the second recommendation.

Our review was performed at Labor's headquarters in Washington, D.C., and was limited to the records management system used to maintain the annual financial and other reports required to be filed under title I of the Employee Retirement Income Security Act of 1974 (ERISA) (29 U.S.C. 1001). We did not review the records management system

HRD-78-27
(20722)

for reports filed under the Welfare Pension Plans Disclosure Act of 1958, as amended (29 U.S.C. 301), because those reporting requirements were superseded by ERISA and the system is basically a storage function. In addition, requests for retrieving records under the 1958 act were limited, and more current information is available from reports filed under ERISA.

We reviewed policies, procedures, and practices relating to records management activities and interviewed Labor officials and employees responsible for such activities. To test the effectiveness of the records management system, we randomly selected and examined reports which were submitted to Labor in accordance with the requirements of ERISA and entered into the system.

LEGISLATIVE BACKGROUND

The primary purpose of the Congress in enacting both acts was to protect the interests of participants and their beneficiaries in employee pension and welfare benefit plans. The laws require that the financial facts and other plan information be disclosed and reported so that participants and those eligible to participate can completely understand their benefits.

The Welfare Pension Plans Disclosure Act required that the plan descriptions be registered with Labor and that financial and other information, such as bargaining agreements and contracts on employee pension and welfare benefit plans (excluding plans with less than 25 participants), be reported and disclosed to Labor. However, under the act, the Secretary of Labor had no authority to prescribe or interpret plan provisions, help collect benefits, or otherwise intervene in the internal management of any benefit plan.

ERISA became law on September 2, 1974, and was the first Federal legislation regulating the internal workings of private employee pension and welfare benefit plans. This act incorporated provisions similar to those of the Welfare Pension Plans Disclosure Act. ERISA also established extensive and complex minimum standards that employee benefit plans must meet and provided broad enforcement authority to the Secretary of Labor.

SUBCOMMITTEE'S CONCERNS

The "Supplemental Staff Study of Severance Pay-Life Insurance Plans Adopted by Union Locals" was undertaken as

a followup to a staff study released by the Subcommittee in June 1976. The 1976 staff study reported that the life insurance feature of the severance pay-life insurance plan adopted by Teamsters Local 295 in New York was detrimental to the interests of rank and file members of Local 295. The 1977 supplemental staff study was made to determine whether other union locals had adopted severance pay plans comparable to Local 295. The study required extensive use of financial and other union reports maintained by Labor.

The Subcommittee's general concern (as noted on pages 49-50 of the committee print) was that the records management system used to maintain financial and other reports filed with Labor under an "array of labor laws and regulatory programs" such as the Welfare Pension Plans Disclosure Act and ERISA could not provide the information needed to effectively administer and enforce such laws. Also, the system was neither efficient nor effective in providing information from the reports to participants and beneficiaries of employee benefit plans and to afford the Congress a source of readily available, reliable, and up-to-date information.

The Subcommittee reported, that during its study, Labor was unable to respond efficiently or selectively to requests for data from some 350,000 annual reports filed by employee benefit plans under the Welfare Pension Plans Disclosure Act. The Subcommittee added that (1) the information in the reports filed under that law was not computerized, (2) the reports were not segregated according to type of plan, fund, or trust involved, and (3) a thorough review of the data reported on any type of plan required a manual search of thousands of reports. Additionally, the Subcommittee was concerned that Labor limited its scrutiny of the financial reports filed to "spot checks" to detect certain items listed on the reports such as excessive expense payments, excessive administrative costs, excessive fees and claims, and party-in-interest transactions.

As a result of the Subcommittee's experiences in obtaining data from Labor during the study, it believed serious questions existed as to whether the records management system was adequate for effective administration of Labor's enforcement programs and to "perform adequate data retrieval service for the Congress when broader investigations are undertaken."

REPORTING AND DISCLOSURE
REQUIREMENTS UNDER ERISA

ERISA requires pension and welfare benefit plan administrators to report and disclose extensive information about pension and welfare benefit plans and their operations and financial condition to Labor, plan participants, and beneficiaries. Among the reports required are the plan description, summary plan description, and the annual report. The contents of these reports are then incorporated into Labor's records management system.

The plan description and summary plan description describe how the plan works and include information on plan eligibility and vesting requirements, source of plan financing, procedures for presenting claims for benefits, and circumstances which could result in a plan participant becoming ineligible to participate or losing benefits. The plan description is furnished to Labor, and the summary description is furnished to both Labor and plan participants. Plan administrators are also required to furnish Labor and plan participants with information on plan amendments or modifications.

The annual report is filed with Labor and the Internal Revenue Service and includes financial statements and schedules showing the current value of plan assets and liabilities, actuarial information for defined benefit plans, information on party-in-interest transactions, and other information on the plan's operations. Financial statements of plans with 100 or more participants are required to be certified by an independent public accountant and the actuarial information for defined benefit plans must be prepared by actuaries enrolled under subtitle C of title III of ERISA.

On request, plan administrators are required to furnish to Labor any documents, such as the trust agreement, relating to the plan. Also, plan administrators must routinely make available to plan participants certain information from the latest annual report and other documents under which the plan is established. When requested, plan administrators must also furnish plan participants with information on benefits accrued and when their benefits become vested.

In an effort to reduce plan sponsors' paperwork, Labor and the Internal Revenue Service agreed to eliminate duplicate submissions of annual reports. Beginning with the plan year 1977, plan administrators will be required to file all annual

report forms due in 1978 with the Internal Revenue Service which will then provide Labor with copies of the reports (on computer tape and microfiche 1/). Labor, however, will still receive plan descriptions and summary plan descriptions directly from plan administrators. The reports from the Internal Revenue Service and the documents submitted independently by plan administrators will be incorporated into Labor's records management system.

LABOR'S RECORDS MANAGEMENT
SYSTEM UNDER ERISA

Labor recognized the records management problems for reports filed under the Welfare and Pension Plans Disclosure Act, which were highlighted in the Subcommittee's staff study, and its records management system for reports filed under ERISA strives to minimize these problems. The Office of Reports and Disclosure, within the Pension and Welfare Benefit Programs under the Assistant Secretary for Labor-Management Relations, is responsible for the records management system.

The records management system implemented to manage reports filed under ERISA includes storing microfiche copies of the reports and recording this information for various uses, including enforcement and public disclosure. The recording process consists of microfiching all of the plan description forms and annual financial reports and computerizing selected data elements from the reports. The microfiched reports with all data elements are readily available for public disclosure. This approach--combining computerized information and microfiched reports--is designed to reduce the cost of storage and data entry for reports submitted annually. Since the summary plan descriptions which are to be filed with Labor beginning November 1977 are not standardized, they will only be microfiched.

As of September 30, 1977, Labor had received over 600,000 plan descriptions and more than 500,000 annual reports for the 1975 plan year. This represents a combined total of about 1.1 million reports which Labor had received since May 1976. Information from over 550,000 of these plan descriptions

1/A photographic copy of the complete report on microfilm that is indexed (i.e. employer identification number, etc.) and is used to produce hard copies of the report on duplicating machines comparable to the common office copier.

and about 320,000 annual reports has been computerized. Labor has microfiche for approximately 525,000 plan descriptions and about 425,000 annual reports. Labor estimated that the remaining annual reports would be processed by January 31, 1978.

Because both plan descriptions and annual reports for 1975 operations were required to be filed for each pension and welfare benefit plan in 1976 with Labor, the 1.1 million reports received since the 1976 reporting dates is about twice the volume of reports estimated by Labor to be filed in 1977. The reduction in volume is due to the requirement that plan descriptions only be filed initially (except for amendments and terminations) and subsequently only the annual reports are to be filed for each plan.

DESIGN AND EFFECTIVENESS OF THE RECORDS MANAGEMENT SYSTEM

The records management system provides for the computerized data to be classified by employer type (e.g., single employer, controlled group, multiemployer, etc.), funding type, and plan size by the number of participants in the plan. The microfiche copies are then filed by employer identification number to facilitate efficient and selective retrieval of reports when they are requested.

The most beneficial aspect of Labor's microfiche is that it saves storage space and provides for selective and ready access to reports filed under ERISA. The computerized data lends itself to quick retrieval and statistical analysis of information from the reports. After the data is computerized and/or microfiched, the original reports can be shipped to the Federal records center and complete records can be easily and promptly retrieved from microfiche files without incurring a delay.

To test the effectiveness of the system, we requested 419 plan descriptions from among more than 500,000 computerized and microfiched reports. Also, we examined plan descriptions to determine the accuracy and reliability of the computerized information. We did not include the annual financial reports in our sample because they were not available at that time.

Of the 419 plan descriptions we requested, Labor was able to provide us with all but 20 plans. We discussed the missing plan descriptions with Labor officials and asked why they could not provide us with all of the plan descriptions requested.

Labor officials explained that one of the steps involved in the new system is to reconcile the number of computerized reports with the number of reports microfiched. They explained that this step has to be performed each time a group of reports enters the records management system in order to insure that the number of computerized reports agrees with the number of reports that are microfiched and in the files.

At the time of our analysis, September 30, 1977, the computer tapes and the microfiche for the reports from which our sample was selected were in the process of being reconciled and about 25,000 more reports were on the tapes than had been put on microfiche. Labor officials accounted for the 20 reports as follows:

	<u>Plan descriptions not readily available</u>
Still with microfiche contractor	13
Misfiled	5
On computer but not listed on microfiche index	<u>2</u>
Total	<u>20</u>

For the plan descriptions that we examined we noted a number of clerical errors such as missing pages from some of the microfiche copies, keypunch errors, and omission of data elements that according to Labor's key entry instructions should have been computerized. Of the 399 reports we examined, 69 of them, about 17 percent, contained minor clerical errors.

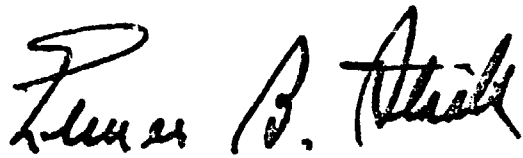
CONCLUSIONS

The actions taken by Labor to design and implement a modernized records management system recognized the need for an efficient and effective records management system for reports required to be filed under ERISA. Although all of the concerns expressed in the Subcommittee's staff study under the Welfare Pension Plans Disclosure Act records management system have not been alleviated, we believe the primary concern--an efficient and effective records management system--is currently being addressed. The approach under ERISA, using a system that combines the use of computerized information from reports and a microfiche filing system, is a substantial improvement over Labor's previous records management practices as noted in the Subcommittee's study.

The number of misfiled or lost reports and errors we found in the microfiche copies and computerized data, in our opinion, is not significant when the magnitude of the records management system being implemented is considered. We also believe that, with refinement of the verification and reconciliation procedures, the records management system should efficiently and effectively meet Labor's enforcement and disclosure needs.

At the request of your offices, we did not obtain written agency comments. The contents of the report, however, were discussed with Department of Labor representatives who agreed with our conclusions.

As agreed with your offices unless the report's contents are publicly announced earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.



Comptroller General
of the United States