

September 21, 2017

Ms. Sherry Hazel  
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**Re: Proposed Statement on Auditing Standards  
Forming an Opinion and Reporting on Financial Statements of Employee  
Benefit Plans Subject to ERISA**

The American Retirement Association (“ARA”) appreciates the opportunity to provide comments to the American Institute of Certified Public Accountants (“AICPA”) on the Proposed Statement on Auditing Standards (“Proposal”) that would modify the auditing standards related to employee benefit plans subject to ERISA.

The ARA is a national organization of more than 20,000 members who provide consulting and administrative services to American workers, savers, and sponsors of retirement plans and IRAs. ARA members are a diverse group of retirement plan professionals of all disciplines including financial advisors, consultants, administrators, actuaries, accountants, and attorneys. The ARA is the coordinating entity for its four underlying affiliate organizations, the American Society of Pension Professionals and Actuaries (“ASPPA”), the National Association of Plan Advisors (“NAPA”), the National Tax-deferred Savings Association (“NTSA”) and the ASPPA College of Pension Actuaries (“ACOPA”). ARA members are diverse but united in a common dedication to America’s private retirement system.

**SUMMARY**

We greatly appreciate the efforts being considered through this Proposal to help protect retirement savings and strengthen compliance with ERISA and the Internal Revenue Code. But that said, the scope of the changes in the Proposal are considerable and the impact of these changes will need to be monitored and evaluated to see if the additional measures are warranted and are being consistently applied, in light of the additional costs and burdens that will likely result from the Proposal. Moreover, any changes need sufficient time to be considered and properly vetted, and sufficient lead time is always needed to properly

implement and support the changes. With that in mind, our recommendations herein are limited to three areas of immediate concern to our members and further review and consideration will be necessary prior to any endorsement of the Proposal:

1. Eliminate the public disclosure requirement for plan failures.
2. Retain the materiality threshold for performing audit procedures.
3. Extend the effective date of the Proposal by at least two years.

## **DISCUSSION**

### **1. Eliminate New Public Disclosure Requirement**

Historically, the auditors perform audit procedures on the Plan, and any issues raised as a result of those procedures are addressed with the employer (via the management representation letter or otherwise) and not made a part of the opinion letter available for public disclosure. The Proposal, however, requires public disclosure of any issues discovered as part of the audit, either set forth in the opinion letter or in a separate report attached to the Form 5500 (the “Report on Specific Plan Provisions Relating to the Financial Statements,” which in and of itself raises administrative issues). The only exception appears to be if the issue is “clearly inconsequential,” which standard may well vary between auditors.

The audit opinion should not be used to expand the existing disclosures required on Form 5500; if additional disclosure is warranted it should be mandated by the Internal Revenue Service (“IRS”) or the Department of Labor (“DOL”) through a proposed revision to the Form 5500, and subject to public comment.

Moreover, this public disclosure fails to take into account the various voluntary IRS and DOL correction programs available to plan sponsors to address these concerns, none of which involve a public disclosure on the worldwide web. This type of broad disclosure discourages plan sponsors from maintaining qualified plans, and invites unnecessary concern by plan participants and unnecessary attention from plaintiff’s attorneys.

Accordingly, **ARA recommends** that this new public disclosure requirement be eliminated.

### **2. Retain The Materiality Threshold On Audit Procedures**

For the first time, the Proposal would require auditors to perform audit procedures with respect to specified plan provisions, irrespective of the assessed risks of material misstatement. Elimination of the materiality threshold unnecessarily increases the costs and complexities of these audits. Often a plan sponsor has a third party recordkeeper, consultant, or attorney that is providing these same services, resulting in duplicative effort and additional costs to the plan sponsor for maintaining the plan (which may be passed onto the plan participants). Moreover, often these procedures are very far removed from

the auditor's statutory task – of determining whether there is a risk of material misstatement of the plan's audited financial statement.

**ARA recommends** that the long-standing materiality threshold for performing audit procedures be retained.

**3. Extend The Effective Date Of The Proposal By At Least Two Years**

The Proposal is scheduled to be effective for audits for periods ending on or after December 15, 2018 (e.g., 2018 Plan Year). With the extent of the changes set forth in the Proposal, a sufficient transition period will be needed to implement the Proposal (e.g., revised audit packages, system changes, education of auditors, plan sponsors, benefits community, etc.). And as ARA understands more fully the scope of the Proposal and how it will be implemented, additional consideration and concerns may well materialize that will need to be addressed to ensure the continued success of the retirement system.

**ARA recommends** that the Proposal not be effective until at least the 2020 Plan Year, which will give the benefits community the time necessary to complete a thorough analysis of the Proposal.

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These comments were prepared by ASPPA's Reporting and Disclosure Subcommittee of the ASPPA Government Affairs Committee, Kizzy Gaul, Chair, on behalf of the ARA. Please contact Craig Hoffman, General Counsel and Director of Regulatory Affairs at the ARA at (703) 516-9300, ext. 128, if you have any comments or questions regarding the matters discussed above.

Thank you for your time and consideration.

Sincerely,

/s/

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/s/

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