

Part IV. -- Items of General Interest

Replacement instructions for the 2003 Schedule B (Form 5500), Actuarial Information

Announcement 2004-80

I. Background

This announcement provides additional instructions for Line 8c on the 2003 Schedule B (Form 5500). In order to provide government agencies and plan participants with contribution information on defined benefit plans, plan sponsors must annually file the Schedule B as an attachment to the Form 5500 Series (Annual Return/Report of Employee Benefit Plans). Because many plan sponsors have had difficulty reporting the data required by line 8c of the 2003 Schedule B, this announcement is intended to provide flexible options to comply with existing reporting requirements. This announcement merely replaces certain instructions in order to clarify and simplify the method for reporting data. Because this announcement is not a request for new data, and does not contain a new reporting requirement, if plans have already filed under published instructions prior to the issuance of this announcement, do not file again.

The 2003 instructions for Line 8c regarding cash balance plans require that "such plans reporting 1,000 or more active participants on line 2b(3) must also provide average cash balance account data." The 2003 instructions did not provide a specific method for reporting the required data.

II. New Line 8c Instructions for Schedule B

The following replaces paragraph 5 of line 8c of the 2003 Schedule B instructions:

"Cash balance plans (or any plans using plan characteristic code 1C on line 8a of Form 5500), reporting 1,000 or more active participants on line 2b(3) must also provide average cash balance account data, regardless of whether all active participants have cash balance accounts. For each age/service bin, enter the average cash balance account of the active participants in that bin. Do not enter the average cash balance account in any age/service bin that contains fewer than 20 active participants.

General Rule. In general, data to be shown in each age/service bin includes: (1) the number of active participants in the age/service bin, (2) the average compensation of the active participants in the age/service bin, and (3) the average cash balance account of the active participant in the age/service bin, using \$0 for anyone who has no cash balance account-based benefit. If the accrued benefit is the greater of a cash balance benefit or some other benefit, average in only the cash balance account. If the accrued benefit is the sum of a cash balance account benefit and some other benefit, average in only the cash balance account. For both the average compensation

and the average cash balance account, do not enter an amount for age/service bins with fewer than 20 participants.

In lieu of the above, two alternatives are provided for showing compensation and cash balance accounts. Each alternative provides for two age/service scatters (one showing compensation and one showing cash balance accounts) as follows:

Alternative A:

Scatter 1—Provide participant count and average compensation for all active participants, whether or not participants have account-based benefits.

Scatter 2—Provide participant count and average cash balance account for all active participants, whether or not participants have account-based benefits.

Alternative B:

Scatter 1—Provide participant count and average compensation for all active participants, whether or not participants have account-based benefits (i.e., identical to Scatter 1 in Alternative A).

Scatter 2—Provide participant count and average cash balance account **for only those active participants with account-based benefits**. If the number of participants with account-based benefits in a bin is fewer than 20, the average account should not be shown even if there are more than 20 participants in this bin on Scatter 1.

In general, information should be determined as of the valuation date. Average cash balance accounts may be determined as of either: (1) the valuation date or (2) the day immediately preceding the valuation date. If the cash balance account information as of the 2003 valuation date is not readily available, information as of another date within 12 months of the valuation date (before or after this date) may be used. This date must be clearly indicated on the attachment, along with an explanation, if the date is also used for another purpose, such as determining a participant's age and service.

Average cash balance accounts that are offset by amounts from another plan may be reported either as amounts prior to taking into account the offset, or as amounts after taking into account the offset. Do not report the offset amount. For any other unusual or unique situation, the attachment should include an explanation of what is being provided.”