

other investments. Two other comments from local labor organizations recommended that the threshold for requiring itemization of individual investments be based solely on a percentage of the total book value of all of the union's marketable securities or other investments. Finally, the comment of a firm of certified public accountants also recommended a single threshold but suggested that the threshold be based solely on the book value of the individual security or other investment. The commenter recommended that such a threshold be set at a book value of between \$25,000 and \$100,000.

Upon careful consideration of the varying views on reporting investments, the Department has concluded that the proposed dual thresholds of \$5,000 and 5% are appropriate to provide union members with useful information about the union's investments without unnecessarily burdening unions. The Department has not been persuaded that it should require unions to report individual union investments with less than a book value of \$5,000. The Department believes that the current threshold of \$1,000 (on Schedule 2 of the current Form LM-2), especially considered in light of the asset price increases that have occurred since 1962, when the reporting threshold was set at that level, would require a union to report holdings too small to provide significant, useful information to union members. This would be true whether such holdings represented at least 20% of the union's total investments (in each of the covered investment categories: "marketable securities" and "other investments"), the requirement prescribed by the current Form LM-2, or as little as 5% of the union's total investments, as proposed by the Department.

Under the Department's proposal, a union is required to report for each of the two investment categories its nineteen largest investments, if any, over \$5,000, as measured by the book value of the investments. For example, unions with total marketable securities valued at less than \$20,000 would only have to report a maximum of four holdings in each category.

The Department does not find persuasive the comments that argued that the Department's proposals were intrusive, not useful, or not material. As noted above, because only investments that exceed 5% of the union's holdings are reported and no union can have more than 19 such investments ($5\% \times 20 = 100\%$), the proposed Schedule 5 will never require any labor organization to disclose to members of the labor organization more than 19 of

the largest marketable securities and 19 of its largest other investments. By providing this information to union members, they will be able to make their own judgments regarding the value and appropriateness of the union's holdings and thereby the soundness of that important aspect of their union's financial operations and condition.

The Department also has concluded that neither of the proposed thresholds should be either raised or deleted. Raising the threshold percentage for proposed Schedule 5, for example, from 5% to 15% of the total book value of a labor organization's marketable securities and other investments would require a labor organization to list at most six marketable securities and a maximum of six other investments (because $15\% \times 7 = 105\%$), rather than a maximum of nineteen of each type. Reporting these few investments would portray a limited picture of a union's numerous and very diverse investments. The 5% threshold will disclose to union members a fuller, more accurate picture of the soundness of the union's selection of investments and of that important aspect of the overall financial condition and operations of the union without imposing a significant reporting burden on the organization.

Similarly, raising the book value threshold of individual marketable securities and individual other investments to amounts from \$25,000 to \$100,000 would foreclose disclosure of all but the very largest union holdings. Especially among labor organizations that file the Form LM-2 or other Form LM-2 filers without extensive investment holdings, thresholds set at book values of \$25,000 to \$100,000 might except any investment from being disclosed. In the Department's view, members of such unions would have a substantial interest in examining, and reaching conclusions regarding, the value and appropriateness of the union's limited holdings and the implications with respect to the general condition and operations of the organization.

As indicated above, two commenters recommended that the Department adopt a single threshold based on a percentage of the total book value of the union's investments as the basis for determining when a union must report individual investments for both marketable securities and other investments. The Department recognizes that in some circumstances the use of a single threshold percentage, such as the Department's proposed threshold of 5% of the total book value of investments, would not change the number or mix of marketable securities and other

investments that would be itemized under the Department's dual thresholds of 5% and \$5,000. The Department believes that ordinarily the disclosure of an investment equal to 5% of a labor organization's total holdings would provide useful information to members regarding the soundness and appropriateness of a union's management of that aspect of its financial affairs.

F. Schedules 11 and 12—Disbursements to Officers and Employees

The Department received more than 150 comments on its proposal to revise the information to be reported by unions about disbursements to their officers and employees and to require unions to report, by estimation and category, how these individuals expend their working time on behalf of the union. The Department proposed that unions would report for each officer and certain employees (all those paid a yearly salary of more than \$10,000) their net salaries and the amounts of withholdings for each individual, along with the amount of taxes paid by the union in connection with the individual's compensation. Under the current report, only gross salaries are required to be reported for each officer and employee. Withholdings and taxes are reported, but only on an aggregated basis.

The Department also proposed to require unions to provide an estimate of the time expended by their officers and employees in each of eight functional categories prescribed generally for union receipts and disbursements. The Department proposed that unions report each individual's work time, per category, rounded to the nearest 10%. The proposed categories are discussed in greater detail at Section III(C)(1). In 1992, the Department issued a final rule, later rescinded, that also would have required unions to identify, on an individual-by-individual basis, how their officers and employees expended their work time. The 1992 rule also required unions to report disbursements, including officer and employee salaries, in various categories. That rule, however, required unions to report the actual percentages of time expended by the officers and employees in each of the categories.

The Department's current proposal also invited comments on whether unions should be required to more exactly calculate, by category, how the officers and employees expended their time. The Department inquired whether a precise accounting of their time would be more useful to union members than the proposal to allow estimates that are rounded to 10%.