

## Supporting Statement for Paperwork Reduction Act Submission

**AGENCY:** Pension Benefit Guaranty Corporation

**TITLE:** Notice of Insolvency (29 CFR Part 4245)

**STATUS:** Request for regular review and extension of currently approved collection (OMB control number 1212-0033; expires March 31, 2008)

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1. Need for collection. ERISA section 4245(e) requires two types of notice: a Notice of insolvency, stating a plan sponsor's determination that the plan is or may become insolvent, and a Notice of insolvency benefit level, stating the level of benefits that will be paid during an insolvency year. Section 4245(e)(4) provides that these notices are to be given in accordance with rules promulgated by PBGC. PBGC's regulation on Notice of Insolvency, 29 CFR Part 4245, establishes the procedure for complying with these notice requirements. The regulation allows a single notice of insolvency to cover more than one plan year, thereby generally permitting plan sponsors to file only a single notice (a notice of insolvency benefit level) for any future year. The regulation also prescribes the contents of these notices, the manner in which they must be given, and the time limits for their issuance. The recipients of these notices are PBGC, contributing employers, employee organizations representing participants, and participants and beneficiaries.

2. Use of information. PBGC uses the information submitted under the regulation to estimate cash needs for financial assistance to troubled plans. The collective bargaining parties use the information to decide whether additional contributions will be made to the plan in order to avoid the insolvency and consequent benefit suspensions. Plan participants and beneficiaries use the information to make personal financial decisions.

3. Information technology. No consideration has been given to the use of improved information technology to reduce burden. The reporting volume under the regulation is too low to warrant the use of high technology.

4. Duplicate or similar information. To avoid duplication, the regulation permits plan sponsors to note the date of a prior submission to PBGC of identical information, rather than requiring resubmission. Duplication has also been avoided by allowing a single notice of insolvency to cover more than one plan year.

5. Reducing the burden on small entities. Inapplicable.

6. Consequence of reduced collection. PBGC needs early warning of threatened insolvencies, and their impact on benefit payments, in order to be able to estimate its cash needs for providing financial assistance to troubled plans. Once a plan sponsor determines that a plan is or may

become insolvent, a lack of expeditious notification may delay PBGC assistance. Less than prompt notice to the collective bargaining parties can also hinder chances for bargaining to increase contributions to the plan. Also, delay in notification may interfere with the financial decisions of participants and beneficiaries and delay their search for alternative income sources. In any event, the regulation reduces the frequency of notices that would otherwise be required under the statute by permitting a single notice of insolvency to cover more than one plan year.

7. Consistency with guidelines. The information collection is not conducted in a manner inconsistent with 5 CFR ' 1320.5(d)(2).

8. Outside input. PBGC published two Federal Register notices soliciting public comment on this and other collections of information, one pursuant to 5 CFR ' 1320.8(d) (November 26, 2007, at 72 FR 65989), and the other pursuant to 5 CFR ' 1320.5(a)(1)(iv) (February 25, 2008, at 73 FR 10071). No public comments were received in response to the November 2007 notice.

9. Payment to respondents. PBGC provides no payments or gifts to respondents in connection with this collection of information.

10. Confidentiality. The regulation gives no assurance of confidentiality, but information submitted to PBGC under the regulation is accessible only in accordance with applicable law and regulations. PBGC=s

rules providing and restricting access to its records are set forth in 29 CFR Part 4901.

11. Personal questions. The regulation does not call for submission of information of a sensitive nature.

12. Hour burden on the public. PBGC=s experience has been that virtually all multiemployer plans that become insolvent are plans terminated by mass withdrawal, and thus expects that all of the plans that become insolvent over the next three years will be mass-withdrawal-terminated plans. Plans terminated by mass withdrawal that become insolvent are subject to the notice requirements in section 4281 of ERISA rather than section 4245. Accordingly, PBGC expects that no plans will issue new notices of insolvency under section 4245 during the next three years. Currently, there is only one insolvent plan that has not terminated by mass withdrawal and thus is subject to the requirement to issue annual insolvency benefit level notices under section 4245, and PBGC expects this plan to continue issuing such notices for the next three years.

For purposes of estimating the time required to comply with the regulation, PBGC assumes (based on experience) that plans subject to the regulation generally submit a single notice of insolvency, covering all future years (although that does not mean that every future year will necessarily be an insolvency year), and provide notices of insolvency benefit level for the first insolvency year only to retirees, as permitted by the regulation.

PBGC also estimates that the average plan subject to the regulation covers employees represented by 2 unions and has about 35 contributing employers and 2,560 participants, about 1,570 of whom are retirees.

PBGC estimates that the time required to prepare notices under the regulation is (1) for notices of insolvency, 1 hour of managerial time and 1 hour of professional time, (2) for first-year notices of insolvency benefit level, 130 hours and 50 minutes of managerial time and 1 hour of professional time, and (3) for subsequent-year notices of insolvency benefit level, 1 hour of professional time and 1 hour of managerial time. PBGC further estimates that the clerical time required for distributing notices under the regulation (about 1 minute per distributee) is 43 hours and 17 minutes for notices of insolvency and first-year notices of insolvency benefit level (which would be issued together) and 43 hours and 17 minutes for subsequent-year notices of insolvency benefit level.

Accordingly, PBGC estimates the average time required to prepare and distribute notices under the regulation each year at about 177 hours and 7 minutes for a plan filing for the first time (131 hours and 50 minutes of managerial time, 2 hours of professional time, and 43 hours and 17 minutes of clerical time) and about 45 hours and 17 minutes for a non-first-time filer (1 hour each of managerial and professional time and 43 hours and 17 minutes of clerical time).

Because PBGC assumes no first-time filers and only one non-first-time filer each year for the next three years, PBGC estimates that the total

average annual time spent in preparing and distributing these notices will be 45 hours and 17 minutes (1 hour of managerial time, 1 hour of professional time, and 43 hours and 17 minutes of clerical time).

However, PBGC also believes, based on its experience, that virtually all of these notices are prepared and distributed by outside consultants and estimates that a plan administrator spends no more than a few minutes in engaging the services of such consultants. Accordingly, PBGC estimates that the annual hour burden of this collection of information is at most one hour, with an estimated cost to respondents of \$115.

13. Cost burden on the public. As noted in item 12, PBGC estimates that 1 hour of managerial time, 1 hour of professional time, and 43 hours and 17 minutes of clerical time are needed to prepare and distribute notices under the regulation each year. PBGC assumes a cost of \$350 per professional hour, \$115 per managerial hour, and \$64 per clerical hour for services by outside consultants. The estimated annual cost for these services is therefore about \$3,235.

Postage and supplies are estimated at 58 cents per distributee for a single notice and 75 cents per distributee for a notice of insolvency and a first-year notice of insolvency benefit level that are sent together. As estimated in item 12, the notices are distributed to 2,560 participants, 35 employers, and 2 unions. Thus, the estimated annual cost of postage and supplies for distributing notices under the regulation is about \$1,506.

Accordingly, the estimated annual cost burden of the regulation is \$4,741.

14. Cost to the government. PBGC=s estimated cost to process one submission under the regulation (either a notice of insolvency and a notice of insolvency benefit level from a plan filing for the first time or a notice of insolvency benefit level alone) is about \$792 (8 hours of staff time at \$99 an hour). As noted in item 12, PBGC estimates that it will receive a submission from one plan per year under the regulation. On that basis, PBGC=s estimated annual cost to process notices under the regulation is \$792.

15. Explanation of burden changes. The cost burden has increased (from \$3,828 to \$4,741) due to increases in the estimated hourly rates associated with services performed by outside consultants (from \$275 to \$350 per professional hour, from \$90 to \$115 per managerial hour, and from \$50 to \$64 per clerical hour. In addition, postal rates have increased (from 50 cents to 58 cents per item for small items, and from 60 cents to 75 cents for large items).

16. Publication plans. PBGC does not intend to publish the results of this collection of information.

17. Display of expiration date. PBGC is not seeking approval to not display the expiration date for OMB approval of this information collection.

18. Exceptions to certification statement. There are no exceptions to the certification statement.