

**SUPPORTING STATEMENT FOR REQUEST FOR OMB APPROVAL
UNDER THE PAPERWORK REDUCTION ACT AND 5 CFR PART 1320**

AGENCY: Pension Benefit Guaranty Corporation

TITLE: Locating and Paying Participants

STATUS: Request for extension of approval (with modifications) of a collection of information under the Paperwork Reduction Act; OMB control number 1212-0054, expires August 31, 2008

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A. Justification.

1. Need for collection. Pension Benefit Guaranty Corporation (“PBGC”) is requesting extension of approval (with modifications) of a collection of information under the Paperwork Reduction Act. The purpose of the information collection is to enable PBGC to pay benefits to participants and beneficiaries who are entitled to pension benefits under defined benefit plans that have terminated. The collection consists of: (1) benefit application and information forms (2) identifying information provided as part of an initial contact with PBGC when PBGC searches for participants and beneficiaries who are missing, and (3) information necessary to request a benefit estimate.

The benefit application and information forms are available in hard copy. Most of the information can also be submitted through My Pension Benefit Account (My PBA), an application on PBGC's Web site, www.pbgc.gov. Plan participants and beneficiaries can use My PBA to conduct electronic transactions with PBGC, including applying for pension benefits, designating a beneficiary, granting a power of attorney, electing monthly payments, electing to

withhold income tax from periodic payments, changing contact information, and applying for electronic direct deposit.¹ Certain forms are available only in hard copy.

All requested information is needed to enable PBGC to determine benefit entitlements and to make appropriate payments. Most of the applications and forms are covered by the current approval. However, six new forms are being added to better meet the needs of participants and beneficiaries:

- **Form 703MP (Application for Elective Lump-Sum Payment).** This form will collect the same information as **Form 703 (Application for Elective Lump-Sum Payment)** but will require that an applicant's signature be witnessed by a Notary Public. This form will be used for applicants in PBGC's Missing Participant program, where proof of identity is of particular concern.
- **Form 704 (Request for Earnings).** This form will collect earnings information needed by PBGC in situations where a pension benefit calculated under the plan is offset by some portion of the participant's earnings.
- **Form 708 (Designation of Beneficiary Form).** Currently PBGC collects information on a participant's beneficiary at the point the participant applies for a benefit. When a participant dies before applying for a benefit, PBGC may not have information about the participant's beneficiary. This form will address that situation by collecting beneficiary information from participants soon after a plan is terminated.
- **Form 711 (Change of Beneficiary for Certain & Continuous Benefits Only; Currently Receiving Pension Benefits).** This form will collect information similar to the information collected by **Form 707 (Designation of Beneficiary for Benefits Owed at Death)**, but it will be used exclusively for Certain & Continuous beneficiary designations. The current **Form 707**, is being split into two forms to allow different beneficiaries to be designated for different purposes.
- **Form 720MP (Application for Lump-Sum Payment).** This form will collect the same information as **Form 720 (Application for Lump-Sum Payment)**, but it will require that the applicant's signature be witnessed by a Notary Public. Like **Form 703MP**, this form will be used for applicants in PBGC's Missing Participant Program, where proof of identity is of particular concern.

¹ The revisions that are the subject of this request are expected to be made to My PBA in early 2009.

- **Form 720CD (Application for Lump-Sum Payment).** This form will collect the same information as **Form 720 (Application for Lump-Sum Payment)**, but it will be limited to children or other dependents who are designated as alternate payees under a Qualified Domestic Relations Order (“QDRO”) and who request a lump-sum payment. Because the individual who would request a lump-sum payment with Form 720CD would be a non-spouse beneficiary of a living participant, the lump-sum would not be eligible for rollover to an eligible retirement plan (as would a lump-sum payment requested with Form 720 or Form 720MP).

PBGC has also made simplifying, editorial and other changes to its forms, instructions, and My PBA to make them easier to use. For example:

- **Form 701 (Payee Information Form), Form 702 (General Information Form), and Form 703 (Application for Elective Lump-Sum Payment)** will include new questions as to whether a domestic relations order exists and, if so, whether it has been qualified (*i.e.*, whether it is a QDRO).
- **Forms 705 (Beneficiary Application for Pension Benefits), Form 706 (Beneficiary Application for Pension Benefits - OF (Optional Forms)), and Form 710 (Application for Electronic Direct Deposit)** will include revised instructions explaining that benefits payments made be made to Electronic Transfer Accounts (in addition to electronic direct deposit to bank accounts).
- Changes to instructions and forms to comply with changes mandated by the Pension Protection Act of 2006 (PPA 2006). For example, in response to PPA 2006 and to reflect recent changes in the IRS model tax notice, PBGC will now provide two notices regarding non-periodic PBGC payments - one for non-spouse beneficiaries, and one for all other participants and beneficiaries. The notice for non-spouse beneficiaries (included with **Forms 714 and 721**) will state that an eligible rollover distribution may be rolled over into an inherited IRA, while the notice for all other participants and beneficiaries (included with **Forms 703, 703MP, 713, 720, and 720MP**) will state that an eligible rollover distribution may be rolled over into a Roth IRA among other options.
- **Form 715 (Power of Attorney)** will explain that a person appealing a PBGC determination may use this form.

In connection with this request, PBGC is submitting the following documents:

- Benefit applications and other forms.
- Paperwork notice, required by 5 CFR §§ 1320.5(b) and 1320.8(b).

- Long form Privacy Act Notice, to be included with **Form 701 (Payee Information Form)** and **Form 702 (General Information Form)**; short form Privacy Act Notice, to be included with the other requests for information except **Form 722 (Financial Statement of Debtor)**; and special Privacy Act Notice for **Form 722**.

2. Use of information. PBGC uses the information to determine whether an individual is (or may be) entitled to a pension benefit from a terminated defined benefit pension plan, to determine the form and amount of the individual's benefit, and to make appropriate payments.

3. Reducing the Burden. The PBGC provides for filing most benefit application forms and for requesting a benefit estimate through My PBA. Individuals who believe they may be entitled to benefits may contact PBGC electronically by facsimile transmission, e-mail, or via the My PBA application on PBGC's Web site, www.pbgc.gov.

4. Duplication and similar information. A limited amount of the information required to be submitted to PBGC in response to this collection of information (*e.g.*, date of birth, social security number) may already be in the possession of the government. However, there is no timely and reliable way to locate documents that may include the required information, particularly since the reporting person may have submitted to the government some, but not all, of the documents required. In most cases, it would take a respondent more time to assist in tracking down and verifying documents in agencies' files than simply to submit the information to PBGC.

PBGC uses certain earnings data maintained by the Social Security Administration in determining benefit entitlements, but to use this information PBGC needs the individual to authorize the release of the information from the SSA to PBGC.

5. Reducing the burden on small entities. Not applicable.

6. Consequence of reduced collection. If this information were collected less frequently, or were not collected, PBGC would be unable effectively to: (1) locate participants and beneficiaries entitled to pension benefits, (2) determine benefits, (3) make appropriate payments, and (4) provide benefit estimates.

7. Consistency with guidelines. This collection of information is consistent with the guidelines in 5 CFR ' 1320.6.

8. Outside input. A Federal Register notice soliciting public comment on this collection of information pursuant to 5 CFR ' 1320.8(d) was published on March 21, 2006, at 71 FR 14255. No public comments were received in response to the notice. Another Federal Register notice informing the public of this submission to OMB was published on July 30, 2008, 73 FR 44295.

9. Payment to respondents. PBGC provides no payments or gifts to respondents (other than required benefit payments) in connection with this collection of information.

10. Confidentiality. Confidentiality of information is that afforded by the Freedom of Information Act and the Privacy Act. PBGC's rules that provide and restrict access to its records are set forth in 29 CFR Part 4901.

11. Sensitive Questions. This collection of information does not call for submission of information of a sensitive or private nature.

12. Burden on the public. For years 2009-2011, for plans covered by the PBGC insurance program, PBGC estimates that 84,800 benefit application or information forms will be filed annually by individuals entitled to benefits from PBGC, and that the associated burden will be 63,550 hours.

Of the 84,800 application or information forms that will be filed annually, PBGC estimates that the following 37,500 forms or applications will be filed by participants or beneficiaries in newly PBGC-trusted plans:

- 25,000 payee information forms (PIFs), at a total hourly burden of 6,250 hours (15 minutes per respondent).
- 5,000 general information forms (GIFs), at a total hourly burden of 2,500 hours (30 minutes per respondent).
- 7,500 benefit applications, at a total hourly burden of 7,500 hours (one hour per respondent).

In addition to the above forms and applications that will be filed by participants or beneficiaries in newly-trusted plans, PBGC estimates that the following applications will be filed:

- 45,600 benefit applications by participants or beneficiaries from plans that were trusted in prior years, at a total hourly burden of 45,600 hours (one hour per respondent).
- 900 benefit applications by missing participants in PBGC's existing Missing Participant Program, at a total hourly burden of 900 hours (one hour per respondent).
- 800 benefit applications by participants or beneficiaries who are entitled to benefits from PBGC but who are not on PBGC's roster of those entitled to benefits (so-called "woodwork participants"), at a total hourly burden of 800 hours (one hour per respondent).

PBGC further estimates that 12,000 individuals annually will provide PBGC with identifying information as part of an initial contact, with an associated burden of 3,500 hours.

Thus, for plans covered by the PBGC insurance program, the total estimated annual burden associated with this collection of information is 67,050 hours (63,500 hours for the

submission of forms and 3,500 hours in making inquiries to PBGC, and responding to inquiries from PBGC).

Section 410 of the PPA 2006 allows certain terminating plans not covered by PBGC's existing Missing Participants program to participate in that program. Once final regulations are issued, the program will cover multiemployer plans, small professional service employer plans (25 or fewer active participants), and individual account plans.² For 2010 and 2011, in addition to the burden for plans covered by the PBGC insurance program, PBGC estimates that 6,400 benefit application or information forms will be filed annually by missing participants in plans that are not covered by PBGC's existing Missing Participant program, and that the associated burden will be 6,400 hours (one hour per application or form). PBGC further estimates that 12,000 individuals in plans not covered by PBGC's existing Missing Participants program annually will provide the PBGC with identifying information as part of an initial contact and that the associated burden will be 3,000 hours (15 minutes per inquiry).

Thus, over the next three years (2009-2011), the total estimated annual burden associated with this collection of information will be 73,300 hours (67,050 hours for 2009 and 76,450 hours annually for 2010 and 2011, for an average over the three years of 73,300).

PBGC developed the above estimates based on its experience in administering its benefit payment program.

13. Costs. There is very little cost to the public for this collection of information. Since participants and beneficiaries rarely hire contractors to understand or provide this type of information, the only cost is postage. PBGC provides self-addressed stamped envelopes to

²² PBGC anticipates issuing final regulations on the expanded Missing Participants program in 2009.

virtually all missing and woodwork participants and to most other participants and beneficiaries who submit forms and applications to PBGC. In PBGC's experience, few individuals who make inquiries to PBGC do so by mail. Leaving aside missing and woodwork participants, PBGC estimates that less than 10% of all other participants and beneficiaries who submit benefit applications and information forms annually will do so by mail, at a cost of \$.42 each, for a total annual postage cost of approximately \$3,100.

14. Costs to the Federal government. PBGC estimates that over the next three years (2009-2011), the total annual cost of processing this information will be \$7,423,067, consisting of \$6,820,653 for processing the benefit application and information forms and \$602,414 for processing the identifying information.

15. Adjustments. The change in the estimate of the annual hour burden of this collection of information (from 118,475 hours in the current OMB inventory to the 73,300 hours requested) reflects a decrease in the estimate of the number of submissions and inquiries expected, due to a expected reduction in the number of participants and beneficiaries taken in by PBGC in newly trusteed plans. The decrease is somewhat offset by the expansion of PBGC's Missing Participant Program under PPA 2006. The change in the estimate of the annual cost burden of this collection (from \$78,475 in the current OMB inventory to \$3,100 requested) reflects a sharp reduction in the postage expenses incurred by participants and beneficiaries as a result of PBGC's practice of providing self-addressed stamped envelopes to a large proportion of all individuals who submit forms or applications to PBGC and to an increase in the use of My PBA.

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.

B. Collections of Information Employing Statistical Methods.

This collection of information is not intended for statistical analysis or publication.