

## **Supporting Statement Part B for Paperwork Reduction Act Submission**

**AGENCY:** Pension Benefit Guaranty Corporation

**TITLE:** Data to Study Multiemployer Plan Guaranty Program

**STATUS:** Request for OMB control number for new collection of information

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### **Part B. Collections of Information Employing Statistical Methods**

1. Potential respondent universe and any sampling or other respondent selection methods to be used.

The potential respondent universe is about 45 red zone plans<sup>1</sup> that have high levels of unfunded current liabilities (over \$100 million each, with nine plans having at least \$1 billion each).<sup>2</sup> Some of these plans are likely to have less than 20 years of projected solvency. These plans, which have about 700,000 participants, represent a large share of the exposure to PBGC's multiemployer program and could benefit the most from policy proposals aimed at extending solvency.

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1 The Pension Protection Act of 2006 calls on plan sponsors to actively monitor the projected Funding Standard Account credit balance, the funded percentage (ratio of actuarial value of assets to the present value of benefits) and cash flow sufficiency. Based on these measures, plans are categorized as critical (Red Zone), endangered (Yellow Zone), seriously endangered (Orange Zone), or neither (Green Zone). There are a few triggers but generally Red Zone plans have a funded percentage less than 65% and project a funding deficiency within 5 years or insolvency within 7 years. PBGC estimates that there are approximately 200 "red zone" plans that appear to be at risk of insolvency in the next 20 years.

2 These plans were identified based on based on the 2010 Form 5500 information.

These plans have, on average, three times as many retired and terminated participants as actively employed participants. Since contributions are generally based on how many hours of work performed by active participants, plans with a relatively low number of active participants typically struggle to achieve contribution levels sufficient to fund past and future liabilities. PBGC expects that plans with the highest number of participants and the lowest proportion of active participants will be able to provide the best information for determining the impact of the policy proposals on PBGC's future financial condition, the projected dates of plan insolvency, and possible benefit changes for plan participants.

PBGC expects a response rate of about 20-25%, with the nine plans with the largest unfunded current liabilities most likely to respond. These nine plans cover about 70% of the participants in the potential universe of about 45 plans. They include some of the most sophisticated and engaged stakeholders in the current policy initiatives and stand to benefit most from potential policy changes. PBGC believes it can make reasonable assessments of the impact of possible policy options based on this expected response rate.

PBGC cannot satisfactorily evaluate the policy options that may be considered with only the information publicly available from Form 5500 filings.

2. Describe the procedures for the collection of information.

PBGC will mail the two-page information request to the plan via regular mail.<sup>3</sup>

Respondents will need to assemble the information, including removing personally identifiable

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<sup>3</sup> Because plans are not required to provide e-mail addresses on Form 5500 filings, PBGC does not have e-mail addresses for all of the potential respondents.

information, from their own records and from the work products provided to them by plan actuaries. Respondents will be requested to send the files to PBGC electronically. After an initial review to determine the reliability and usefulness of the information received (e.g., ensuring that all the information necessary to run the models is supplied and is consistent among the participant census data, cash flow data, and actuarial valuation reports) and to verify that no personally identifiable information is included, PBGC will forward the collected information to its contractor analysts for input into the models.

3. Describe the methods to maximize response rates and deal with issues of non-response.

The information collection is voluntary and PBGC will not be offering monetary incentives. PBGC is optimistic that plans will want to participate in the information collection in order to help PBGC make informed policy assessments that will benefit multiemployer plans in general.

4. Describe any tests of procedures or methods to be undertaken. Inapplicable.

5. Provide the name and telephone number of the person who will collect the information for the agency. David Gustafson, Chief Policy Actuary, will coordinate the collection and analysis of the information for PBGC. His telephone number is 202-326-4080, ext. 3218, and his e-mail address is [gustafson.david@pbgc.gov](mailto:gustafson.david@pbgc.gov).