

Subject: OMB Proposal Clearance Request – Follow-up Summary Report

You recently submitted an OMB clearance request for a Compliance Check Questionnaires that was approved OMB approval number 1545-2071. As a requirement, a summary report to include the information below should be submitted to our office, Special Products Section, Tax Forms & Publications Division, within 60 days after the completion of survey questionnaires. [Please provide a brief summary \(1-2 pages/outline format\). Do not include tables, graphs, charts, etc., since they are not included in the report to OMB.](#)

- 1) **OMB #:** 1545-2071
- 2) **Title of Study:** 401(k) Compliance Check Questionnaire
- 3) **Purpose:** Section 401(k) retirement plans have become the most prevalent form of retirement plans in the United States. There are currently more than 500,000 section 401(k) plans covering approximately 60 million Americans. The purpose of the questionnaire is to measure the health of the section 401(k) plans in terms of compliance levels and risk factors; better understand compliance issues related to section 401(k) plans; evaluate the effectiveness of voluntary compliance programs and tools; and determine how the IRS can best foster compliance.
- 4) **Findings:** Of the 1,176 respondents 86% reported that they use a pre-approved plan document and that 23% of plan sponsors requested a determination letter from the IRS. In addition, 96% of respondents allow catch-up contributions to 401k retirement plans and 68% of plans provide matching contributions. While 4% of plans sponsors discontinued matching contributions in 2008 (an increase of 3% from 1% in 2006). Other significant findings can be found in the [401\(k\) Compliance Check Questionnaire Interim Report](#) under the *Highlights of Findings* table.

The survey also helped the IRS identify certain customer education and outreach gaps within the 401(k) plan sponsor community. For example, we learned that those using IRS retirement plan compliance resources including the *Fix-it Guide* or the Employee Plan Compliance Resolution System (EPCRS) found them extremely helpful while only 41% and 65% of plan sponsors were aware of these resources, respectively.

- 5) **Actions taken or lessons learned:** The data collected from the 401(k) questionnaire provides a better understanding of section 401(k) plan compliance. This improved understanding will help the IRS to optimize education and outreach, guidance, voluntary correction programs and enforcement activities to foster compliance in the 401(k) community. We are also using the results of the questionnaire to develop a new 401(k) enforcement selection model. This model will reduce burden on compliant plan sponsors. The questionnaire has become an important asset to the 401(k) community as we have encouraged plan sponsors to

use it as a self-audit tool. The IRS developed an additional self-audit tool, QSAT, to help sponsors of 401(k) plans maintain compliance with the applicable laws and regulations. This tool was based on the results and risk factors identified by the 401(k) compliance check questionnaire.

- 6) **Total Number of requests** (questionnaires sent) **or attempts for taxpayer participation:** A total of 1,200 questionnaires were sent to randomly selected plan sponsors.
- 7) **Total Number of questionnaires returned or participants in focus group, etc.:** 1,176 questionnaires were returned.
- 8) **Date the data collection began** (date only): 05/14/2010
- 9) **Date the data collection ended** (date only): 11/30/2010
- 10) **Response Rate:** 98%
- 11) **Actual Burden Hours:** 1,176 questionnaires returned x 4 hours per questionnaire = 4,704 hours
- 12) **Cost:** N/A

The above information is needed to prepare a report requested by OMB that explains what was accomplished during the OMB clearance period under which these surveys were approved. The information you provide should not exceed two pages, if possible. If you have any questions, please contact me at (202) 622-3634 or Rjoseph.Durbala@irs.gov.