

SUPPORTING STATEMENT FOR PAPERWORK REDUCTION ACT 1995 SUBMISSIONS

A. Justification

- 1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.***

Section 105(a) of the Employee Retirement Income Security Act of 1974 (ERISA), which is administered by DOL, requires administrators of ERISA-covered individual account plans to automatically furnish periodic benefit statements to participants and beneficiaries. The Department of Labor's Employee Benefits Security Administration (DOL-EBSA) is requesting approval from the Office of Management and Budget (OMB) to conduct a survey and an experiment on participants in an existing household internet panel called the American Life Panel (ALP) and to conduct four focus groups of non-panel members. The survey and focus groups are exploring whether information contained in sample benefit statements can be presented in a way that improves recipients' understanding of the statements and helps them better plan for retirement. This project is funded by DOL-EBSA. DOL has contracted with the RAND Corporation, a non-profit research institute, to conduct this study.

Specifically, the data will be collected through the following methods:

- Four focus groups that will pretest the model benefits statements, each containing slightly different information.
- A survey of 2,900 respondents from the American Life Panel.

- 2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.***

Topics probed in the survey include identification of participants' current allocations to their retirement accounts, their expectations for how long they will need to keep working, their financial goals for retirement, the basis for calculating those goals, questions about how frequently they view their current benefits statement, in what format (paper versus electronically) they view their benefit statements and what information in those statements do they focus on. Survey participants will then be provided with two different benefits statements that provide slightly different information and are asked to answer some questions based on those statements to better assess what they understand about the statements.

Section 105(a) of ERISA requires administrators of ERISA-covered individual account plans to automatically furnish periodic benefit statements to participants and beneficiaries. The

statements must be provided quarterly for participants in participant-directed individual account plans and annually for participants in non-participant-directed individual account plans. The study results, combined with findings from a literature review and analysis of existing data, will be used to inform the DOL's rulemaking and comply with the Pension Protection Act's requirement that DOL develop model benefits statements.

- 3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration for using information technology to reduce burden.***

The ALP is an Internet panel and hence will utilize a web-based instrument for data collection. This web-survey will be formatted to be easy to read and navigate.

In addition, the existing ALP Records Management System (RMS) will be used to manage the survey sample, document interim and final case status codes, and generate progress reports. The RMS will track case status in all modes and will document the actions and outcomes for each and every case in the sample for all phases of activity. The centralization of record management across survey modes provides for integrated reporting and control over production.

- 4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.***

No recent and suitable national data for the United States are available and no ongoing similar data collection is being conducted, according to the knowledge of the project team, that would allow a rigorous experimental analysis of advice and behavior. RAND has done an extensive literature search on this topic, including peer-reviewed publications as well as the grey literature such as trade publications, reports or analyses from academic institutions, private companies, private foundations, and government agencies, and no reliable data was discovered. Timeliness is especially important as present economic conditions may have strong effects on economic decision-making.

- 5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.***

The surveys will have negligible impact on small entities. Completion of the survey by respondents who are small business owners or employees will require minimal time out of respondents' work days to complete (approximately 18 minutes to complete both tasks, including the time it may take respondents to look-up and retrieve needed information).

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

This will be a one-time data collection effort. In the absence of this data collection, we will be less able to thoroughly assess whether different proposed presentations of information on benefits statements will better assist workers with planning for retirement.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

- **requiring respondents to report information to the agency more often than quarterly;**
- **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**
- **requiring respondents to submit more than an original and two copies of any document;**
- **requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;**
- **in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;**
- **requiring the use of a statistical data classification that has not been reviewed and approved by OMB;**
- **that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or**
- **requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

This request is consistent with the general information collection guidelines of 5 CFR 1320.5(d) (2). No special circumstances apply.

8. ***If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.***

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years -- even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

The Department's notice soliciting public comment and providing 60 days for that purpose as required by 5 CFR 1320.8 (d) was published in the Federal Register on January 22, 2013 (78 FR 4458). Seven comments were received. As discussed in detail below, the Department made a variety of changes to the survey, focus group discussion guide, and sample benefit statements in response to comments received.

General Comments Regarding Paper vs. Electronic Distribution

Several commenters expressed concern that the Department was showing favoritism toward paper or electronic dissemination in questions posed to survey and focus respondents. Additionally, the Department received a comment suggesting that the survey include a question concerning participants' preferences between paper and electronic dissemination and participants' willingness to pay for paper statements. In response to these comments, the Department notes that the research objectives of the survey and focus groups center on statement content and design in order to determine whether information contained in sample pension benefit statements can be presented in a way that improves respondents' understanding of the statements and helps them better plan for retirement. The method of dissemination of benefit statements to participants and beneficiaries is outside of the scope of this research. As further discussed below, the Department revised the wording of several survey and focus group questions to eliminate any unintended appearances of bias.

Sample Benefit Statements

Several commenters correctly noted that the sample statements are abstractions and not representative of actual statements. By design, the sample statements have been simplified to focus attention on the research questions of interest in this study. Before receiving the sample statements, all participants will receive a notice stating that the sample statements they will be asked to review are not like the actual statements they currently receive, and that they are much shorter because they are intended to focus on specific issues.

Sample Statement Clarity

Commenters disagreed on how much information the sample statements should contain, with some noting that the sample statements are oversimplified, while others noting that they contained too much information and would likely result in confusion. A specific aim of the study is to examine how providing different amounts of information impacts participant comprehension. The Department has attempted to strike a balance between these two concerns and has made the following changes to improve clarity:

- Changed the title from “Sample Retirement Statement” to “Sample 401(k) Plan” to clarify that the sample statement is for a DC plan
- Specified that the age of the hypothetical plan participant is 40 years old. Respondents will now be provided this information both prior to reviewing the statements and have it on the statements themselves for reference
- Changed the assumed retirement age to be 65 years old to conform with prevailing norms at many firms
- Changed the hypothetical account balance and contributions to make them more realistic for average American workers
- Placed expenses and losses in parentheses to highlight that they deduct from account balances
- Removed the note regarding life expectancy assumptions as life expectancy is already incorporated in the annuity calculations
- Clarified that the assumed rate of return on investments is 4% after adjusting for inflation
- Clarified that both personal and employer contributions are assumed to increase 3% annually until the retirement age of 65 is reached
- Removed the link to the hypothetical lifetime income calculator
- Clarified explanation of fees and expenses to ensure consistency with 404(a)(5) rule

Projections

A commenter stated that any sample statements referencing income illustrations of a participant’s account balance should be clear. For example, some plans currently use an account

drawdown method to illustrate income after retirement. The commenter suggested that perhaps projections could be shown in a variety of formats, with explanations, so that survey participants could comment on the various methods. This approach could also avoid confusion between assumptions and guarantees, as applicable. In response, the Department notes that the central focus of the study is to examine how providing projections of monthly income in retirement influences participants' intended retirement behavior and what participants understand about these projections. The Department believes that guaranteed income for life is a key component of a secure retirement, and therefore the projected monthly income on a retirement statement should reflect the ability to purchase lifetime income rather than a systematic withdrawal strategy or other non-lifetime-income strategy. Testing the Department's belief would require following individuals through their lifecycle, including both the accumulation and decumulation phase, and is clearly beyond the scope of this study.

In response to the comments received, the Department has made the following changes in an attempt to improve participant comprehension:

- Added caveated language to clarify that monthly income projections are expectations and not guarantees
- Noted that Monthly Income after Retirement estimated for Current Account Value assumes investment return will equal inflation until retirement and that no additional contributions will be made
- Replaced years until retirement with age at retirement when demonstrating how projected monthly income varies with retirement age for all statements
- In Version 3, we changed to vertical axis so that the charts show change in monthly retirement income

Focus Group Discussion Guide

The Department received several comments indicating that the questions are written in a way that appears to assume that everyone gets and uses paper benefit statements. In response to this comment, the Department notes that the purpose of the study is to test how to best present projected account balances and monthly retirement income on fixed (i.e., non-interactive) statements, and so the focus of the focus groups is indeed on fixed statements. However, the Department recognizes that given the prevalence of internet usage, that many people use online tools in addition to, or instead of, fixed statements. Thus, focus group discussion about online access is meant to gauge and control for usage of online statements and tools.

In the recruitment process, participants are restricted to individuals who are currently employed and who have an employer-sponsored defined contribution account.

In response to the comments received, the Department has made the following changes:

- In the Introduction section, we changed “We are holding these discussion so that we will have a better understanding of how people make retirement savings decisions,” to “...so that we will have a better understanding of how people understand their quarterly retirement statements”
- On page 3, we changed “For the purpose of tonight’s discussion, we want to focus only on saving for retirement,” to “...we would like to focus on your “Defined Contribution” retirement plan. A DC plan is a plan such as a 401(k) or 403(b) that you get through your employer, but you make your own investment decisions.”
- To clarify what is meant by ‘Statement of Benefits’ we replaced the phrase “statement of benefits” with “retirement account statement” (or sometimes “retirement statement” for brevity)
- We allow that participants may receive statements through the mail or online and have added the following language in the introduction, “These are the paper statements that you may receive in the mail, or the statements that you can access through your retirement plan provider’s website. These statements describe the activity of your retirement saving account, such as a 401(k) or 403(b). For the remainder of this discussion, we will refer to these as ‘Retirement account statements’ or ‘retirement statements’ for short”
- Made revisions to the ‘General Discussion of Assumptions’ section of the discussion guide based on feedback from Olivia Mitchell.
- Clarifications that the focus group discussion should primarily focus on:
 - Fixed (not interactive) statements, unless otherwise noted
 - Defined Contribution statements, unless otherwise notes
- Added questions to test whether a higher or lower income changes participants’ answers to behavior-related questions.
- Additional questions to gauge participants’ understanding of the need to list assumptions and the large impact the chosen values may have on projections.
- Added in questions to Retirement Goals section that acknowledges that retirement savings goals and thinking about retirement may change as someone gets older.

Survey Instrument

The Department received comments that respondents should be able to provide contribution amounts as a dollar amount or percentage, allow for the possibility that respondents have multiple DC accounts, clarify what is meant by statement of benefits and that statements In response to the comments received, that Department has made the following changes:

- Allowed respondents to give contribution amounts in Q3 as percentage or dollar amount, with flexibility on the frequency
- Allowed for possibility that respondents may have multiple DC accounts in Q4 and Q5
- Rewrote the retirement age expectation questions, now Q6-Q11

- To clarify what is meant by ‘Statement of Benefits’ we replaced the phrase “statement of benefits” with “retirement account statement” (or sometimes “retirement statement” for brevity)
- In Q15, clarified that statements can be paper or online: “When is the last time you reviewed your statements from your employer-sponsored retirement plan. These are the paper statements that you may receive in the mail, or the statements that you can access through your retirement plan provider’s website, and describe the activity of your employer-sponsored retirement saving account, such as a 401(k) or 403(b).”

The Department also made additional minor changes as suggested by the commenters to clarify questions and make them less confusing.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

Respondents to the ALP receive payment as part of their regular participation. For this survey, respondents will receive \$20. Focus group participants will also receive a \$75 incentive fee to participate in the hour and a half discussion. We request this level of incentive in order attract participants across different economic groups. We are seeking diversity in terms of participant education and investment experience. These characteristics are correlated with income. If incentives are too low, higher income participants are less likely to participate. Also, if incentives are lower than the market rate for a given area, we end up spending more money recruiting participants as the recruitment effort takes longer than we pay out in additional incentives.

EXHIBIT 1: PROJECTED INCENTIVE COSTS

Household Survey respondents	\$20	2900	\$58,000
Focus group participants	\$75	50	\$3,750
TOTAL			\$61,750

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

The standard privacy provisions of the ALP will apply to this survey. Data will be treated in a private manner, unless otherwise compelled by law. Personal identification information (i.e., respondent names) will not be collected in the survey instrument and will not be made available to researchers. Specific information linking individuals to particular survey responses will not be included in any information viewed by the RAND researchers, DOL or any other Federal officials. Further, the study’s briefs and report will not identify any specific individuals. All potentially identifying information will be carefully secured so that there can be no breach of privacy.

Focus group participants will be recruited through focus group vendors that maintain databases of names of individuals that have previously identified themselves as being willing to participate in future focus groups. RAND researchers will only be given first names and will not have access to other contact information such as where they live or where they work. RAND researchers will be given basic demographic information such as age and gender to attempt to balance the groups. Researchers have no means to further identify or to contact participants and participants will not be named in any reports. The focus groups are audiotaped to ensure researchers capture the full discussion. Participants are asked for their permission to be audiotaped at the beginning of the discussion. If a participant is not comfortable being audiotaped, they are paid the full incentive fee and are released from participation. These tapes remain with the RAND researcher that moderates the focus groups and are kept in a locked space not accessible to others. At the end of the research effort, the audiotapes are destroyed.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

The focus group questions address views about personal financial decisions but do not request actual personal financial information. These questions are related to the types of financial information that are understood from the benefits statements and explores whether different or more information would better prepare respondents to make future financial decisions. The survey questions address personal financial decisions, which may be construed as questions of a sensitive or personal nature. The choice experiment questions are purely hypothetical and thus are not designed to solicit personal information from the respondent.

12. Provide estimates of the hour burden of the collection of information. The statement should:

- Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.***

- *If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.*
- *Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.*

As previously indicated, the ALP is an Internet panel and hence will utilize a web-based instrument for data collection. This web-survey will be formatted to be easy to read and navigate. The web-based survey is estimated to take no more than 14 minutes to complete, including the time it may take respondents to look-up and retrieve needed information, and the experiment will take an additional 4 minutes. Each focus group is estimated at 90 minutes.

In Exhibits 2 and 3, the Department provides estimates of the collection burden on study participants. Participants will participate in data collection one time only, responding via a combined web-based tool to both the survey and the experiment. Hour burden estimates have been verified during the pilot/pretesting of the instrument protocol.

EXHIBIT 2. ESTIMATE OF ANNUALIZED TIME BURDEN TO RESPONDENTS

Type of Respondent	Number of Respondents	Number of Responses Per Respondent	Total Responses	Average Burden per Response (in hours)	Total Burden Hours
Household Survey	2,900	1	2,900	0.30	870
Focus Groups	50	1	50	2.5	125
Total	2,950	1	2,950	.337	995

EXHIBIT 3. ESTIMATE OF ANNUALIZED MONETIZED BURDEN HOUR VALUE FOR RESPONDENTS

Type of Respondents	Number of respondents	Total burden hours	Monetized Value
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Household Survey	2,900	870	\$22.01	\$19,148.70
Focus Groups	50	125	\$22.01	\$2,751.25
Total	2,950	995	\$22.01	\$21,899.95

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 or 14).

Data collection for this study will not result in any additional capital, start-up, maintenance, or purchase costs to respondents or recordkeepers.

14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.

DOL is supporting the conduct of this data collection and analysis of data as part of the contract with the RAND Corporation. The estimated cost for this work including design, fieldwork, analysis, and agency oversight will be \$248,900. The cost for conducting the household survey is estimated to be \$198,500, the cost for the focus groups is estimated to be \$18,000 and the cost associated with design and data analysis is estimated at \$28,300. The Department estimates that government oversight of this project will total approximately \$3,010 (5 percent of a GS 14 Step 5 employee’s time for six months (\$120,429 annual salary/2).

Exhibit 4 provides a breakdown of project tasks by activity.

EXHIBIT 4. ESTIMATED COSTS BY PROJECT TASKS

Activity	Approximate cost	Percentage of total cost
Survey and Focus group design	\$78,600	32%

¹ Average hourly wage was derived from the Bureau of Labor and Statistics Occupational Employment Statistics (OES) survey for May 2010. We used the mean hourly wage for all occupations to cover the range of respondents in the ALP (Average hourly rates available at http://www.bls.gov/oes/current/oes_nat.htm; Accessed as of July 2013)

Household survey implementation, data collection, processing, and management	\$119,900	48%
Analysis, review, and reporting of the findings	\$28,300	11%
Focus groups	\$18,000	7%
Agency oversight	\$2,900	2%
Total	\$247,700	100%

15. Explain the reasons for any program changes or adjustments reporting in Items 13 or 14 of the OMB Form 83-I.

This is a new data collection.

16. For collections of information whose results will be published, outline plans for tabulation, and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

The timeline for the project, including the data collection detailed in this request for OMB approval is shown below. The timeline calls for design and planning activities in spring 2014 , data collection in summer 2014, and analysis and report writing in fall 2014 through winter 2015.

EXHIBIT 5. PROJECT TIMELINE

Task/Activity	Deliverable	Due Date
OMB Clearance	Submit OMB Package	August 2013
Focus Group Data Collection	Focus Group Report	Starts June 15, 2014 Ends August 1, 2014
Survey and Experiment Data Collection	Survey and Experiment	Starts August 11, 2014 Ends September 15, 2014
Analysis	Survey Analysis Experiment Analysis	Starts September 15, 2014 Starts September 15, 2014
Final Report	Draft Report Final Report	Completed February 2015

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

DOL does not seek this exemption.

18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submission," of OMB 83-I.

There are no exceptions to the certification.