

## Supporting Statement for Paperwork Reduction Act Submission

**AGENCY:** Pension Benefit Guaranty Corporation

**TITLE:** Payment of Premiums (29 CFR Part 4007) and PBGC forms and instructions thereunder

**STATUS:** Request for approval of revision of currently approved collection (OMB control number 1212-0009; expires April 30, 2017)

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1. Need for collection. Section 4007 of Title IV of the Employee Retirement Income Security Act of 1974 (“ERISA”) requires the Pension Benefit Guaranty Corporation (“PBGC”) to collect premiums from pension plans covered under Title IV pension insurance programs. Pursuant to section 4007, PBGC has issued its regulation on Payment of Premiums (29 CFR Part 4007). Under § 4007.3 of the premium payment regulation, plan administrators are required to file premium payments and information prescribed by PBGC (premium-related data and information about plan identity, status, and events).

Premium information is filed electronically using “My Plan Administration Account” (“My PAA”) through PBGC’s web site. Premium filings must be made annually. Under § 4007.10 of the premium payment regulation, plan administrators are required to retain records about premiums and information submitted in premium filings.

Section 4006 of ERISA, implemented by PBGC’s regulation on Premium Rates (29 CFR Part 4006), sets premium rates. All plans covered by Title IV of ERISA pay a flat-rate per-participant premium. An underfunded single-employer plan also pays a variable-rate premium (VRP) based on the plan’s unfunded vested benefits (UVBs). The VRP is subject to a cap added by the Moving Ahead for Progress in the 21st Century Act (MAP-21) and modified by the

Bipartisan Budget Act of 2013 (BBA 2013). Single-employer premium rates and the level of the cap are adjusted for inflation pursuant to MAP-21 and BBA 2013. Multiemployer premium rates and the inflation adjustment for them are provided for in the Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. 113-235, which was signed into law December 16, 2014.

On March 11, 2014 (at 79 FR 13547), PBGC published a final rule to streamline and simplify PBGC's premium payment due dates.<sup>1</sup> The rule changed the premium due date for small plans to be consistent with the due date for larger plans and provided a phase-in to the new due date structure which gave small plans extra time to file for 2014; for 2015, due dates are the same for plans of all sizes. Another provision established a "look-back rule" whereby small plans could use prior-year data to calculate the variable-rate premium. Procedures for opting out of the look-back rule for the first year of look-back (2014) were provided in the 2014 instructions. The 2015 premium instructions are the "final" instructions for the phased-in provisions under the March 2014 rule.

PBGC intends to revise the 2015 filing procedures and instructions to:

- Require reporting the numbers of persons involved in certain risk-transfer transactions (lump sum windows and annuity purchases);
- Change certain premium filing certification procedures;
- Eliminate due-date phase-in instructions that are no longer needed;
- Provide additional guidance about exercising small-plan look-back rule options; and

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<sup>1</sup> See <http://www.pbgc.gov/documents/2014-05212.pdf>. This was the second of two final rules resulting from a 2013 proposal. The first final rule, which eliminated the early due date for large plans' flat-rate premiums, was published January 3, 2014 (79 FR 347). <http://www.pbgc.gov/documents/2013-31109.pdf>.

- Offer the opportunity for a plan to provide a telephone number specifically for inclusion in PBGC’s “Is My Pension Insured?” List on PBGC’s web site, instead of the number provided for PBGC to contact the plan administrator.

PBGC is also intending to update the premium rates and make conforming, clarifying, and editorial changes.

None of these changes will have a noticeable effect on the burden of the information collection.

Transactions to offer lump sum options or annuitize benefits for a specified group of individuals — also referred to as “de-risking” or “risk transfer” events<sup>2</sup> — deserve PBGC’s attention because (among other things) they lower the participant count and thus reduce the flat-rate premium and potentially the variable rate premium. Premium losses have the potential to degrade PBGC’s ability to carry out its mandate to provide for the timely and uninterrupted payment of pension benefits under title IV plans.<sup>3</sup> Furthermore, numerous external sources have reported that recent increases in PBGC premium rates may be responsible for some portion of risk transfer activity; thus understanding the prevalence of risk transfers directly implicates PBGC’s mandates to encourage the continuation and maintenance of voluntary private pension plans while maintaining premiums at the lowest level consistent with carrying out its obligations.<sup>4</sup> Because relatively few respondents will report risk transfer events in any year, and because the information requested is so modest and so easy to report, there is no material additional burden associated with this collection.

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<sup>2</sup> PBGC prefers the term “risk transfer” because the risks are not eliminated; they simply have been transferred from the employer to an individual and/or an insurance company.

<sup>3</sup> See ERISA section 4002(a)(2).

<sup>4</sup> See ERISA section 4002(a)(1) and (3).

The certification procedures that are being changed apply to electronic premium filings submitted without electronic signature by the plan administrator, plan actuary, or both. The old procedures require an ink signature on a paper copy of the filing information that may be made after a filing is submitted. The new procedures require that the paper copy be signed before the filing is submitted. Thus the only change is in the order in which acts are done. Although the new procedure may be less convenient for some filers than the old one, there is no material additional burden associated with the change.

The alternative telephone number that a plan will be allowed to report is for use in a [list of insured plans](#) on PBGC's web site. This oft-visited list tells participants whether a plan is covered by the title IV pension insurance system and includes the plan administrator's telephone number as reported in the premium filing. The revised practice permits a plan to provide an alternative phone number. Only plans that want to be contacted at a number different from the plan administrator's number will report an alternative number. PBGC expects few plans to choose to report an alternative number, making the added burden negligible in the context of the whole information collection.

2. Use of information. PBGC uses information from premium filings to identify the plans for which premiums are paid, to verify whether the amounts paid are correct, to help PBGC determine the magnitude of its exposure in the event of plan termination, to help track the creation of new plans and transfer of participants and plan assets and liabilities among plans, and to keep PBGC's insured-plan inventory up to date. Risk transfer information will be used to project premium income, improve financial projections, and respond to inquiries from other executive agencies and other branches of government.

The reported information and the retained records may be used for audit purposes.

3. Information technology. Electronic filing is required under PBGC's regulations.

PBGC provides data entry and editing screens for premium filing through the "My PAA" electronic facility on PBGC's Web site. In addition, PBGC offers two electronic filing options that allow filers to use private-sector premium-filing-preparation software compatible with My PAA: (1) a filer can draft a premium filing and then import it into My PAA's data entry and editing screens for review, certification, and submission to PBGC; and (2) a filer can create a premium filing and then upload it directly to PBGC via the My PAA application. Filers can pay premiums and receive premium refunds by electronic funds transfer.

4. Duplicate or similar information. In general, the information required in premium filings is not routinely filed with, and available from, any other Federal Government agency, and there is no similar information that can be used "as is" instead of the information reported in premium filings.

#### *Participant count breakdown*

Numbers of retired, terminated vested, and active participants are in the annual report that plans submit using Form 5500, and PBGC is willing to accept numbers determined using the same methodology for assigning participants to one or another category as for Form 5500. However, "participant" is defined differently for premium purposes than for reporting on Form 5500, so that the actual numbers reported on the two forms can be expected to be different. Moreover, for Form 5500 and premium filings due at the same time, the participant-count information on the Form 5500 filing is a year older than that on the premium filing. PBGC's uses for the participant-count breakdown are much better served by getting current data.

### *VRP Data*

Under the look-back rule, many plans' asset values that are reported on premium filings are often also available from Form 5500. However, PBGC's electronic premium-filing system automatically calculates premiums based on input data, and this feature could not work if assets were not reported. And for plans not using the look-back rule, there would be a one-year lag until the Form 5500 figures became available. Using Form 5500 assets data instead of having premium filers report it directly would thus be inconvenient for both filers and PBGC and would save filers little time or effort.

### *Frozen plan data*

"Freezes" can affect a plan in several different ways (for example, by ceasing accrual of benefits or admission of new participants). To predict and address the impact of plan freezes on PBGC's future premium revenues and net financial position, PBGC needs to know which of the plans that PBGC covers have been affected by freezes and the exact nature of each freeze.

PBGC currently collects freeze information on ERISA section 4010 filings because it needs the information as early as possible for the small group of 4010 filers, and the information is reported in section 4010 filings before it is reported in premium filings. PBGC has considered exempting 4010 filers from reporting this information again in the premium filing, but concluded that there would be a control problem if the agency's premium database were not internally consistent.

Form 5500 collects general information on whether a plan has been frozen, but only for the most severe type of freeze (when all accruals cease for all participants) and only for the year before the current year. The Form 5500 data are thus too little and too late for PBGC's purposes.

### *Plan transfer data*

PBGC's plan transfer questions ask about transfers *to* and *from* other plans, as well as transfer types (merger, consolidation, or spin-off), to save PBGC (and filers) the administrative burden of determining why plans have failed to file when expected or have filed information inexplicably different from the previous year. Form 5500 collects information about assets and/or liabilities transferred *from* a plan to another plan (or plans) during the plan year, but not data on transfer types. Plans must submit information to the Internal Revenue Service about transfers *to* and *from* other plans on Form 5310-A, but only for non-*de minimis* transactions; PBGC needs this information regardless of transaction size. Furthermore, Form 5310-A information is not available to PBGC as promptly as PBGC needs it.

### *Final filing data*

Form 5500 collects general information on whether a plan was terminated in a standard or distress termination; whether PBGC became trustee of a plan; and whether a plan is covered by PBGC. However, the Form 5500 data often do not adequately explain why filings have ceased in cases where plans merge out of existence. In addition, terminated or merged plans often do not submit a final Form 5500, especially when the final plan year is short. Thus, these sources of information on plan disappearances do not adequately satisfy PBGC's need to know why plans have stopped filing.

5. Reducing the burden on small entities. Small plans use prior-year data to compute the VRP, which means that the VRP and Form 5500 due dates for the same year are aligned. (The flat-rate premium is based on more recent data — the participant count — but the participant

count is relatively easy to determine.) First-year filings for most small plans are simplified by a first-year exemption from the VRP.

In addition to the MAP-21 cap that applies to all VRP filers, another (generally lower) cap applies to the VRP of certain plans of small employers (those with 25 or fewer employees). Plans that both qualify for the small-employer VRP cap and pay the full amount of the cap do not need to determine or report UVBs.

6. Consequence of reduced collection. Since the information collected is essential to proper administration of PBGC's insurance programs, including auditing of premium filings, and to estimate PBGC's future capability to provide guaranteed benefits, failure to collect it would seriously impair PBGC's program operations. Further, the premium payable to PBGC is an annual premium. Therefore, premium filings cannot be made less often than annually.

PBGC allows a plan to make an estimated VRP filing and then reconcile the estimated premium at a later date without a late premium payment penalty. This practice accommodates unusual circumstances that could make an accurate VRP filing by the due date inconvenient. In infrequent cases, therefore, a plan may make two filings for a year, rather than one.

7. Special circumstances. PBGC requires plan administrators to retain information necessary to support premium filings for six years. The six-year period corresponds to the record retention requirement of Title I of ERISA and is needed to ensure that records are available during the statutory limitations period within which PBGC may bring an action to collect premiums.

In unusual circumstances, PBGC may require submission of information in less than 30 days in connection with an audit. This would accommodate a situation where PBGC finds that



its interests may be prejudiced by a delay in the receipt of information, such as where collection of unpaid premiums (or associated interest or penalties) would otherwise be jeopardized.

In other respects, this collection of information is not conducted in a manner inconsistent with 5 CFR § 1320.5(d)(2).

8. Outside input. On September 23, 2014 (at 79 FR 56831), PBGC published a notice of its intention to request OMB approval of this revised collection of information, soliciting public comment. PBGC received nine comment letters from representatives of employers, pension practitioners, annuity providers, and participants.<sup>5</sup> The comments focused almost exclusively on the new risk transfer items in Part VI of the premium filing form.

Comments ranged from strong approval to firm disapproval of the new items. Four commenters also expressed views on risk transfers themselves, both in favor and opposed. Most commenters had questions or suggestions for the new items that went into some detail. PBGC has made changes to the new items (both the questions themselves and the instructions) in response to some of the comments. The changes are discussed in detail below.

#### *Cost-benefit concerns*

A number of commenters questioned PBGC's need for the new risk transfer information. (Other comments, in contrast, asserted that PBGC needs the information and that even more such information is needed to understand the effects of risk transfers.) In particular, the connection between the new items and PBGC premiums was challenged. One commenter said that without information about the size of risk transfer payments, the new items would be insufficient for PBGC's purposes.

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<sup>5</sup> The notice and comments are posted at <http://www.pbgc.gov/prac/pg/other/guidance/paperwork-notices.html>.

PBGC believes that it can derive valuable information about future premium income from the new items without the need to ask respondents for dollar amounts. Data on number of offers can be compared to data on total participant counts to yield projections of future offers, and applying the take-up rate (ratio of acceptances to offers) can provide a picture of the effect of risk transfers on participant counts and thus on premiums.

The amount paid by a plan in lump sums or to annuitize benefits generally correlates with the amount of benefit liabilities transferred, and one commenter took the position that this correlation means that risk transfers do not affect PBGC's future claims and renders the new risk transfer items unnecessary. But although the amounts paid and the reductions in benefit liabilities generally correlate, they are not equal, because they are calculated using different actuarial assumptions, and the reductions in liabilities, measured with plan termination assumptions, are often less than the amounts paid.

One commenter questioned the basis for collecting information only for window lump sum offers and requiring filers to disaggregate pay-status and non-pay-status data. The point of the information collection is to acquire information on risk-transfer events; PBGC believes that the results would be "muddied" if the information collected included routine events that do not reflect a special emphasis on quick substantial reduction of benefit liabilities. PBGC also believes that the motivations and concerns of older retirees and of younger unretired workers are likely to differ significantly (leading, for example, to significantly different take-up rates), a circumstance that would affect PBGC's premium expectations.

Two commenters complained that the new items would be unnecessarily burdensome, with one commenter suggesting that they would tend to lead sponsors to terminate their plans.<sup>6</sup> Another commenter said that risk transfer events involving small plans or small numbers of participants should be exempted from reporting to avoid unnecessary burden. In fact, because the new risk transfer items are expected to require very little additional time for very few filers, the burden of the premium filing requirement (which is conservatively estimated) will not meaningfully increase.

*Alternative sources of information*

Two commenters suggested that PBGC could get the information it needs by analyzing changes in data such as participant counts, assets, and liabilities reported on premium forms or Schedule SB to Annual Report Form 5500. No specific methodology for such analysis was offered, and PBGC believes that the data it needs cannot be teased out of other data; data from Form 5500 would in any event not be timely available because of the reporting lag between the premium and Form 5500 filing dates. Another commenter suggested that the risk transfer data be obtained by adding questions to Form 5500 rather than the premium form (thus suggesting disagreement with the view that information from the existing Form 5500 would be sufficient for PBGC's purposes). Such an approach suffers from the timeliness problem just noted; additionally, gathering this information through Form 5500, which is filed by many more plans than PBGC's premium form, does not appear to be a less burdensome approach. Another suggestion was that PBGC coordinate its information collection with Form 5500 to avoid

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<sup>6</sup> That commenter apparently — but erroneously — concluded that the total burden of the premium filing requirement was attributable to the changes.

duplication and confusion. No particular duplicative or confusing questions or instructions were cited, and PBGC believes that this is not a matter for concern.

One commenter suggested that reporting of risk transfers should be governed by ERISA section 4043 (Reportable Events), but that such reporting would require a statutory change.

Another commenter said risk transfers should be treated as reportable events in addition to being reported in premium filings. Although PBGC may consider whether risk transfers should be treated as reportable events, such treatment would take time to develop and implement (regardless of whether a statutory amendment is needed). PBGC needs this information now.

#### *Confidentiality concerns*

Three commenters urged the need for confidentiality of reports of the number of employees who were eligible for (one commenter) or accepted (two commenters) lump sum offers in a risk transfer event. One of the commenters — who favored making risk transfers reportable events — noted that doing so would keep such responses confidential under section 4043(f) (exempting reportable event notices from disclosure).

The commenters did not suggest a statutory basis for confidentiality of the requested risk transfer data. The data are all plan data and may not qualify as trade secrets or as commercial or financial information; while the plan sponsor may be exercising a settlor function in deciding whom to annuitize and whom to offer a lump sum, that information (and the other information being collected) would appear to be within the scope of the plan administrator's fiduciary functions. In any event, submitters who believe this information to comprise trade secrets in

whole or in part may follow the process set forth in PBGC’s regulation on Examination and Copying of Pension Benefit Guaranty Corporation Records.<sup>7</sup>

### *Clarifications*

Two commenters objected to the lack of clarity in the phrase “certain undertakings” that was used in PBGC’s Federal Register notice of its proposed paperwork approval submission to OMB. That phrase is not in the proposed information collection itself, which was available to the public on request and (in PBGC’s view) makes clear what undertakings are referred to.

Three commenters asked for changes in terminology in the risk transfer items, preferring “eligible” to “offered.” Two of the commenters noted that it might not be clear — where a member of a lump sum offeree group was missing or failed to respond to the lump sum offer — whether the person should or should not be counted as having been offered a lump sum. In response to these comments, PBGC has changed “offered” to “eligible to elect.” And although a missing or non-responsive person is still eligible to elect under plan terms, PBGC is providing that a plan may either count or not count such persons as eligible. These same commenters also preferred “paid” or “received” to “elected.” Because PBGC believes that the act of electing a lump sum in one of these transactions (rather than payment or receipt, which may be delayed) is the most appropriate basis for reporting, it did not make this change.

Two commenters wanted PBGC to clarify that “participant” as used in the risk transfer items either includes or excludes beneficiaries. In response, PBGC has revised the questions and instructions to use the term “person” and thus make clear that beneficiaries are included. The

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<sup>7</sup> See 29 CFR § 4901.24. An assertion that information in a premium filing is confidential may be made by email to [premiums@pbgc.gov](mailto:premiums@pbgc.gov), identifying the filing by Employer Identification Number, Plan Number, and plan year commencement date.

revised language also makes clear, as commenters requested, that reporting is not required for mandatory cashouts or for lump sum offers or annuitizations in connection with plan termination or in the course of routine plan operations.

One commenter thought it insufficiently clear that data on annuity contracts bought as plan investments were to be excluded. The annuitization item speaks of annuities “for” the persons whose benefits are annuitized; this language excludes annuity contracts bought as plan investments, which are “for” the plan. To remove any lingering doubt, PBGC is clarifying that contracts that remain plan assets need not be reported on.

One commenter asked PBGC to affirm that filers need not report on regularly recurring lump sum windows, on periodic reminders about lump sum options not limited by windows, and on offers of enhanced lump sums. The new lump sum risk transfer item is aimed at limited-duration offers but explicitly contemplates the possibility of multiple offers within a single reporting period. A window that is otherwise reportable is not rendered non-reportable by the circumstance that it is one of a series of windows or that enhanced lump sums are offered. But a lump sum option that is a permanent feature of a plan does not become reportable because the plan sends eligible persons periodic reminders about the option. PBGC is also providing that plans need not report on early retirement windows (incentive programs to encourage active participants to retire early).

#### *Timing issues*

Four commenters requested that there be a longer time lag between a risk transfer event and the date of a premium filing in which the event would have to be reported on. PBGC proposed a 30-day lag; two commenters asked for a 60-day lag and two others for longer periods

(in one instance 90 and in the other instance 120 days). In response to the comments on this point, PBGC has changed the instructions to provide for a 60-day lag.

One commenter objected that because the period covered by the first collection (over a year and a half) is so much longer than the period covered by each subsequent collection (about a year), PBGC would be unable to reasonably compare the data from the first collection with any subsequent collection. PBGC is aware of the difference in the length of the first collection period and is confident of its ability to compensate for that in making comparisons with later periods. Any difficulty arising from the extra length of the first period is outweighed by the value of data that reach back to include the 2014 plan year.<sup>8</sup>

Finally, a commenter urged that amended filings not be required if errors are discovered in the information reported if the information initially reported was reasonably believed to be accurate. Filers will generally not need to amend 2015 filings simply because they discover inaccuracies in data reported for these items (although PBGC will welcome corrective amendments). Filers are encouraged to request guidance by contacting PBGC (as directed in Appendix 2 to the premium filing instructions) if they discover significant errors in data reported.

#### *Certification of uploads*

Additionally, one commenter objected that the revised certification procedure for uploaded premium filings will be burdensome, impractical, and slow, with the potential for causing missed filing deadlines or necessitating amended filings. The revised procedures are

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<sup>8</sup> Because the reporting requirement for 2015 applies to a much longer period than for subsequent years, PBGC is allowing plans to provide reasonable estimates based on readily available plan records if the exact numbers are not readily available.

part of PBGC's efforts to improve its controls and will make PBGC's premium filing certification rules more uniform and respond to evolving audit requirements that PBGC's practices must meet. The old certification process allowed a hard copy of the filing to be manually certified after the filing was uploaded; the new process requires that the manual certification be made before the upload. In this regard, the new process is like the process now required for submission of Form 5500, which is filed by many more plans than PBGC premium forms. The Form 5500 certification process requires submission of a graphical copy of the manually signed form; PBGC does not have such a requirement. PBGC requires that the filing confirmation number be written on the manually signed copy of the filing. There is no such requirement for Form 5500. On balance, PBGC considers its revised certification process no more onerous than the Form 5500 process, which is used by many more filers than upload PBGC premium filings. Although the new certification process may be slightly less convenient for some filers than the existing process, PBGC believes there is no material change in burden, practicality, speed, or the potential for late or amended filings. Accordingly, PBGC intends to proceed with the revised process.

*Further comment*

On January 12, 2015 (at 80 FR 1517), PBGC published a notice that it was requesting OMB approval of this revised collection of information and soliciting public comment to OMB. See the notice for information on how to comment.<sup>9</sup>

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

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<sup>9</sup> See <http://www.gpo.gov/fdsys/pkg/FR-2015-01-12/pdf/2015-00253.pdf>.



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 personal nature.

12. Hour burden on the public. The burden of this information collection is based on the following estimates:

| <b>Hours to Complete Premium Filing</b>        |                |                              |              |                |              |                            |              |                  |
|--|----------------|------------------------------|--------------|----------------|--------------|----------------------------|--------------|------------------|
| <b>Type of Plan</b>                            |                | <b>Single-employer Plans</b> |              |                |              | <b>Multiemployer Plans</b> |              | <b>All Plans</b> |
|  |                | <b>&lt; 25</b>               | <b>25-99</b> | <b>100-499</b> | <b>≥ 500</b> | <b>&lt; 500</b>            | <b>≥ 500</b> | <b>--</b>        |
| <b>Number of participants</b>                  |                |                              |              |                |              |                            |              |                  |
| <b>Comprehensive Premium Filing</b>            |                |                              |              |                |              |                            |              |                  |
| • Plans that are exempt from VRP               | # of plans     | 1,559                        | 173          | 56             | 25           | 296                        | 1,127        | 3,236            |
|  | Hours per plan | 3.5                          | 3.5          | 3.5            | 3.5          | 3.5                        | 3.5          | --               |
|  | Total hours    | 5,457                        | 606          | 196            | 88           | 1,036                      | 3,945        | 11,328           |
| • Plans paying capped VRP & not reporting UVBs | # of plans     | 2,447                        | 20           | --             | --           | --                         | --           | 2,467            |
|  | Hours per plan | 3.5                          | 3.5          | --             | --           | --                         | --           | --               |
|  | Total hours    | 8,565                        | 70           | --             | --           | --                         | --           | 8,635            |
| • Plans reporting UVBs                         | # of plans     | 6,903                        | 4,223        | 4,398          | 4,505        | --                         | --           | 20,029           |
|  | Hours per plan | 7.0                          | 7.0          | 7.0            | 7.0          | --                         | --           | --               |
|  | Total hours    | 48,321                       | 29,561       | 30,786         | 31,535       | --                         | --           | 140,203          |
| <b>Total Hours</b>                             |                | 62,343                       | 30,237       | 30,982         | 31,623       | 1,036                      | 3,945        | 160,166          |

Thus (referring to the numbers in the “All Plans” column of the table) PBGC estimates that it will receive one premium filing per year from each of about 25,700 respondents (about 3,236 + 2,467 + 20,029). (For simplicity, PBGC is disregarding the possibility that plans will make estimated VRP filings followed up by reconciliation filings. Only 128 plans chose that two-filing option for 2011.) Of these 25,700 filings, PBGC estimates that about 20,000 will report

UVBs and about 5,700 (about 3,236 + 2,467) will not. The total time spent on premium filings will accordingly be about 160,000 hours.

The proportion of that time contracted out varies widely, with smaller plans generally contracting out virtually all of it and some large plans performing all the work in-house. Since most filers are smaller plans, PBGC makes a simplifying assumption that 95 percent of the time is contracted out. Thus the estimated hour burden on the public is approximately 8,000 hours (5 percent of 160,000 hours). The dollar equivalent of this hour burden may be estimated using the following data from the Bureau of Labor Statistics:

- Actuaries (occupational code 15-2011) are paid a mean hourly wage of \$51.80.<sup>10</sup>
- Wage rates are about 70 percent of total labor costs (with the remaining 30 percent attributable to benefits costs).<sup>11</sup> Thus total labor costs equal approximately the hourly wage rate divided by 70 percent (0.7).

For an hourly wage rate of \$51.80, the total labor cost would thus be \$74.00 per hour, and the dollar equivalent of 8,000 hours would be \$592,000.

The recordkeeping requirement for premium information is not expected to impose any significant burden, since most of the records covered by this requirement must already be retained under ERISA section 107. Since this recordkeeping burden is nominal, it is included in the estimated reporting burden, and no separate estimate of burden is made for recordkeeping under the regulation.

13. Cost burden on the public. PBGC estimates that 152,000 hours of filing preparation work (95 percent of 160,000 hours) is contracted out. Using the same methodology as in item 12 above, and doubling the hourly labor cost (from \$74 to \$148) to account for overhead and other

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<sup>10</sup> See <http://www.bls.gov/oes/current/oes152011.htm> .

<sup>11</sup> See <http://www.bls.gov/news.release/ecec.nr0.htm> (see first paragraph).

costs associated with contracting out, the estimated cost burden on the public would be about \$22,496,000 (152,000 hours at \$148 per hour). However, PBGC believes (based on the experience of PBGC pension actuaries) that the cost of pension actuarial services is far higher than the figures reported by BLS for actuaries generally. Accordingly, PBGC estimates the cost burden on the public as approximately \$53,200,000 (152,000 hours at \$350 per hour).

14. Costs to the Federal government. Based on its operational costs, personnel salaries, and overhead, PBGC estimates that the annual cost to the Federal Government of processing this collection of information is about \$12,383,000. Approximately \$11,706,000 of this amount is attributable to annual payments to contractors.

PBGC estimates that its annual cost for contract oversight is approximately \$677,000. In making this estimate, PBGC used annual wage costs from OPM's wage chart for 2015<sup>12</sup> (for employees at GS-14, Step 5). PBGC assumed benefit costs are 27 percent of wage costs and a fixed annual overhead cost of \$14,700.<sup>13</sup>

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<sup>12</sup> See <http://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2015/DCB.pdf>.

<sup>13</sup> The fixed annual overhead is comprised of employee facilities and equipment cost (i.e. workspace rental and workstations).

| <b>PBGC CONTRACTOR OVERSIGHT COSTS, ANNUAL</b> |                            |               |                 |                 |                                |                                  |
|--|----------------------------|---------------|-----------------|-----------------|--------------------------------|----------------------------------|
|  | <b>Number of Employees</b> | <b>Salary</b> | <b>Benefits</b> | <b>Overhead</b> | <b>Total Cost per Employee</b> | <b>Total Cost, All Employees</b> |
|  | [1]                        | [2]           | [3]             | [4]             | [5]=[2]+[3]+[4]                | [6]=[5]x[1]                      |
| <b>Premium Operations Contract</b>             | 1                          | \$121,635     | \$32,841        | \$14,700        | \$169,176                      | <b>\$169,176</b>                 |
| <b>Premium System IT Contracts</b>             | 3                          | \$121,635     | \$32,841        | \$14,700        | \$169,176                      | <b>\$507,529</b>                 |
| <b>Total</b>                                   |                            |               |                 |                 |                                | <b>\$676,706</b>                 |

15. Change in burden. There is no change in the estimated annual burden of this collection of information because, as explained above, the changes to the information collection are expected to require very little additional time for relatively few filers in any year.

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

17. Display of expiration date. OMB has previously granted approval to omit the expiration date from the premium forms and instructions.

18. Exceptions to certification statement. There are no exceptions to the certification statement for this submission.