

**SUPPORTING STATEMENT
REQUEST FOR APPROVAL OF A COLLECTION OF INFORMATION**

AGENCY: Pension Benefit Guaranty Corporation

TITLE: Survey of Nonparticipating Single Premium Group Annuity Rates

STATUS: Request for regular review and extension with modification of currently approved collection (OMB control number 1212-0030; expires May 31, 2018)

CONTACT: Stephanie Cibinic (326-4400, ext. 6352)

1. Need for collection. PBGC's regulations prescribe actuarial valuation methods and assumptions (including interest rate assumptions) to be used in determining the actuarial present value of benefits under single-employer plans that terminate (29 CFR Part 4044) and under multiemployer plans that undergo a mass withdrawal of contributing employers (29 CFR Part 4281). Each month PBGC publishes the interest rates to be used under those regulations for plans terminating or undergoing mass withdrawal during the next month.

The interest rates are intended to reflect current conditions in the annuity markets. To determine the interest rates to be used, pricing data is obtained from insurance companies that provide single premium annuities through a quarterly "Survey of Nonparticipating Single Premium Group Annuity Rates." (The survey is supplemented periodically with questions to determine the mortality and loading assumptions on which the annuity rates are based. The response time for these supplemental questions is considered *de minimis* compared to the response time for the basic interest rate questions.) The American Council of Life Insurers (ACLI) distributes the survey forms to insurance companies and the forms are returned to ACLI. ACLI then forwards the survey forms to PBGC.

The substantive changes PBGC is making to this information collection are described below. In addition, PBGC is making updating, clarifying, simplifying, and editorial changes to the survey forms and instructions.

PBGC is proposing several changes to the survey distributed by ACLI:

- Reduction in the number of ages for which PBGC requests net rate plan factors for immediate and deferred annuities, and removal of columns asking for Deferred to Exact Age 60 net rate plan factors. These changes are proposed because the net rate plan factors for the annuitant ages removed are no longer used when deriving interest factors. The proposed changes will simplify the completion of the survey.
- Increases in the dollar ranges of the Settlement Categories in Parts III and IV to better capture variability and range of business accepted by respondents. Dollar amounts previously used were too low to differentiate among insurance companies that responded to the survey.
- Addition of a question asking whether the respondent participated in the survey in the previous year to enable PBGC to determine the extent to which the survey respondents vary over time.
- Addition of a question asking whether the current value of the respondent's annuity portfolio is greater than \$5 billion. This proposed addition will permit PBGC to determine if the insurers who respond to the survey represent a sizable portion of the total annuity market.

2. Use of information. PBGC uses the survey information in determining the interest rate assumptions that it prescribes under its regulations on the valuation of benefits under pension plans that are terminating or that have undergone a mass withdrawal of contributing employers (29 CFR Parts 4044 and 4281). PBGC also uses the information in determining the interest rates it uses to value benefits payable to participants and beneficiaries in PBGC-trusteed plans for purposes of PBGC's financial statements. If the surveys were not conducted, PBGC would have to set these valuation rates without appropriate data on current conditions in the annuity market.

3. Information technology. No consideration has been given to the use of improved information technology to reduce burden. The number of respondents surveyed is too low to warrant the use of high technology.

4. Duplicate or similar information. The information gathered by the ACLI also goes to the Internal Revenue Service. One copy of the form goes to PBGC, and a second copy, with certain additional information, goes to the IRS. The procedure is the result of conferences between respondents and representatives of PBGC and the IRS; it reflects respondents' preference to submit data separately to the two agencies.

5. Reducing the burden on small entities. Inapplicable.

6. Consequence of reduced collection. If the survey was conducted less frequently, PBGC's rates could not be as responsive as they now are to changes in conditions in the annuity market and thus would not as closely reflect current conditions in that market.

7. Consistency with guidelines. The collection of information is conducted in a manner consistent with the guidelines in 5 CFR § 1320.5(d)(2).

8. Outside input. The ACLI distributes the survey forms to insurance companies most, or all, of which are members of the ACLI. Participation in the quarterly surveys is voluntary. The ACLI, in consultation with PBGC, prepared the survey forms and instructions; they reflect input from PBGC, the ACLI, and insurance company respondents.

On February 8, 2018 (at 83 FR 5649), PBGC published a Federal Register notice informing the public of its intent to seek extension of OMB approval of this collection of information and soliciting public comment on the collection of information. PBGC received one comment suggesting two changes.

The commenter's first suggestion was that PBGC, if possible, should request and publish the discount rates actually used by insurers rather than continuing to publish backed-into rates that match insurers' premiums, using the mortality table that PBGC adopted under the ERISA section 4044 regulations.

Second, the commenter suggested that rather than adding a question about the current value of an insurer's book of business, the question should be limited to an insurer's new business sales.

PBGC appreciates the commenter's suggestions, but both would impact the anonymity of respondents, making it less likely that insurers would participate in this voluntary survey. Asking for, and publishing, the actual discount rates used by insurers that respond, would be making proprietary information public and could raise anti-trust concerns. Taking the

commenter's second suggestion might allow PBGC to be able to identify an insurer by their response, particularly when there is a large pension settlement in the news. In consultation with ACLI, PBGC had settled on asking whether an insurer's current book of business has a value greater than \$5 billion. This balances the need to understand the general size of companies responding while protecting the respondents' anonymity. While PBGC appreciates the reasoning behind the commenter's two suggestions, the double-blind nature of the survey that protects respondents' anonymity is essential to respondents continued participation.

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

10. Confidentiality. Respondents are assured of the anonymity of their responses, and the survey instructions state that the information provided will be used only for the purpose of setting actuarial assumptions for valuing pension plan benefits. In addition, ACLI conducts the survey in such a manner that neither the ACLI nor PBGC knows which insurance companies have provided which responses. PBGC regards the information gathered through the survey as confidential under 5 U.S.C. section 552(b)(4) and 29 CFR § 4901.21(b)(2) and believes that public disclosure of the information would make it difficult or impossible for PBGC to continue collecting the information and would thus impair the effectiveness of its program for setting actuarial assumptions for valuing pension plans.

11. Personal questions. The collection of information does not call for submission of information of a sensitive or private nature.

12. Hour burden on the public. Based on experience, PBGC expects that over the next three years, the ACLI will send the survey to about 22 insurance companies each quarter and that about six insurance companies will complete and return the survey each quarter. PBGC estimates that it will take 30 minutes for each of the respondents to respond to each quarterly survey, or 12 hours per year (30 minutes per survey x four per year x six respondents).

Accordingly, PBGC estimates that the annual hourly burden of this collection of information will be 12 hours, with substantially all the work being performed by interns or actuarial students. 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) at the 10th percentile are paid an hourly wage of approximately \$29.00 (10th percentile is assumed to be that for interns or actuarial students).¹
- Wage rates are approximately 68 percent of total labor costs (with the remaining 30 percent attributable to benefits costs).² Thus total labor costs would approximately equal the hourly wage rate divided by 68 percent (0.68).

For an hourly wage rate of \$29.00, the total labor cost would be approximately \$43.00 per hour, and the dollar equivalent of 12 hours would be approximately \$520.00

¹ <http://www.bls.gov/oes/current/oes152011.htm>

² <http://www.bls.gov/news.release/ecec.nr0.htm> (see first paragraph).

13. Cost burden on the public. PBGC assumes that virtually all the work on the survey will be completed by in-house staff of the insurance companies with none of it contracted out.

14. Cost to the government. ACLI prepares the forms and distributes them to respondents. PBGC incurs some expense in analyzing the survey responses, but it cannot be accounted for separately from the cost of determining PBGC interest rates which would have to be done whether the survey was conducted or not.

15. Explanation of burden changes. The change in the dollar equivalent hourly burden reflects revised estimates of the total labor costs for the staff who will complete the surveys for the insurance company respondents.

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 to the certification statement.