

## Supporting Statement for Paperwork Reduction Act Submission

**AGENCY:** Pension Benefit Guaranty Corporation

**TITLE:** Annual Financial and Actuarial Information Reporting  
(29 CFR Part 4010)

**STATUS:** Request for an extension without change of a currently approved collection of information (OMB control number 1212-0049)

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1. Need for collection. Section 4010 of the Employee Retirement Income Security Act of 1974 (ERISA) and PBGC's regulation on Annual Financial and Actuarial Information Reporting (29 CFR Part 4010) require each member of a controlled group to submit financial and actuarial information to PBGC under certain circumstances. Section 4010 specifies that each controlled group member must provide PBGC with certain financial information, including audited (if available) or (if not) unaudited financial statements. Section 4010 also specifies that the controlled group must provide PBGC with certain actuarial information necessary to determine the liabilities and assets for all PBGC-covered plans.

The regulation specifies the items of identifying, financial, and actuarial information that filers must submit under section 4010 of ERISA, through PBGC's secure e-4010 web-based application. Computer-assisted analysis of this information helps PBGC to anticipate possible major demands on the pension insurance system and to focus PBGC resources on situations that pose the greatest risks to that system. Because other sources of information are usually not as current as the section 4010 information and do not reflect a plan's termination liability, the

section 4010 filing plays a major role in PBGC's ability to protect participant and premium-payer interests.

Corporate events such as spin-offs and sales of business segments increase the risk of pension plan underfunding and can result in losses to plan participants and PBGC. The information submitted under the section 4010 regulation allows PBGC: (1) to detect and monitor financial problems with the contributing sponsors that maintain severely underfunded pension plans and their controlled group members, and (2) to respond quickly when it learns that a controlled group with severely underfunded pension plans intends to engage in a transaction that may significantly reduce the assets available to pay plan liabilities or significantly increase the controlled group's risk profile. With this information, PBGC is able to act quickly to negotiate agreements for contributing sponsors and their controlled group members to provide additional plan funding or take other action, including the termination of underfunded plans, to protect PBGC's claims against the controlled group's assets.

This collection of information has been approved by OMB under control number 1212-0049 through July 31, 2019. PBGC is requesting that OMB approve an extension of the collection of information for another three years.

2. Use of information. PBGC uses the information submitted to identify controlled groups with severely underfunded pension plans, to determine the financial status of contributing sponsors and other controlled group members, to evaluate the potential risk of future losses resulting from corporate transactions and the need to take legal action, and to negotiate agreements under which contributing sponsors and their controlled group members would

provide additional plan funding. Without this information, PBGC could not effectively carry out its responsibilities to protect plan benefits and control insurance program costs.

3. Information technology. PBGC requires electronic filing in a standardized format using its secure e-filing portal accessible through PBGC's website (www.pbgc.gov). Electronic filing enables PBGC to simplify the reporting process and to improve the accuracy, completeness, and timeliness of the information it receives. PBGC is able to access the information quickly and in a complete manner from its data base, while imposing very little additional burden on filers. Almost all 4010 filers are large corporations accustomed to submitting electronic filings with other government agencies, such as with the Securities and Exchange Commission using EDGAR. PBGC believes that electronic filing reduces the burden on the public.

4. Duplicate or similar information. To avoid duplication, the regulation provides that companies do not have to submit information previously submitted to PBGC or publicly available and provides that a single filing may be made for all members of a controlled group. Although the Annual Return/Report of Employee Benefit Plan (Form 5500 series) and the PBGC Comprehensive Premium Filing provide certain plan information, those filings do not include controlled group financial information nor is the plan information sufficiently current or detailed to allow PBGC to analyze controlled group transactions and evaluate the risk of loss to the group's pension plans and to PBGC.

5. Reducing the burden on small entities. Inapplicable. This information collection does not have a significant economic impact on a substantial number of small entities.

6. Consequence of reduced collection. Failure to receive the required information would impair significantly PBGC's ability to assess exposure for participants and the termination insurance program and to identify particular situations that present risks to the pension insurance system. It would also diminish PBGC's ability to negotiate agreements with sponsor groups to reduce those risks and to decide on necessary legal action, including plan termination. As recognized by the statute, PBGC needs current, detailed financial and actuarial information to carry out its responsibilities. The financial health of companies and plans can change quickly. Increasing the statutory one-year reporting interval would force PBGC to rely on less current and thus less meaningful information.

7. Consistency with guidelines. The collection of information is to be conducted in a manner consistent with the guidelines in 5 CFR 1320.6, with one exception (relating to the 30-day guideline in § 1320.6(b)). Under § 4010.6(b), PBGC may require respondents to furnish additional information (within the scope of the statutory reporting requirement) within ten days or such other time as PBGC may specify. PBGC has a substantial need for the shorter time limit because of the limited time that PBGC may have to analyze an impending controlled group transaction.

8. Outside input. On February 19, 2019, PBGC published in the Federal Register a notice at 84 FR 4863 informing the public of its intent to request an extension of this collection of information and solicited public comment. No comments were received.

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

10. Confidentiality. In accordance with section 4010(c) of ERISA, § 4010.13, and 29 CFR 4901.21(a)(3), any information or documentary material submitted to PBGC pursuant to section 4010 is exempt from disclosure under the Freedom of Information Act (5 U.S.C. § 552) (FOIA), and may not be made public, except as may be relevant to an administrative or judicial action or proceeding. (Section 4010(c) of ERISA, like section 552(d) of FOIA, does not prevent disclosure to Congress or to any duly authorized congressional committee or subcommittee.)

11. Personal questions. This collection of information does not include any questions of a personal or sensitive nature.

12. Hour burden on the public. Based on a review of filings, PBGC estimates that approximately 560 controlled groups will be subject to the requirements of the regulation annually. The collection of information requires responses of three types: (1) identifying information, (2) financial information, and (3) actuarial information. PBGC expects that about half of filers will prepare identifying and financial information in-house. (PBGC estimates that about half of filers will have this information prepared by outside consultants and that all filers will have actuarial information prepared by outside consultants. See item 13 for these costs.)

PBGC estimates that the in-house time needed to identify controlled group members and pension plans sponsored by the controlled group will be about 1.4 hours per filing and a total of about 392 hours annually. The estimated dollar equivalent of this in-house hour burden is approximately \$235.5 per filing, and the total cost to prepare identifying information is estimated to be \$65,940 ( $\$235.5 \times 280$  filers).

PBGC estimates that the time needed to prepare the submission of financial information will be about 30 minutes per filing and a total of about 140 hours annually. The estimated dollar

equivalent of this in-house hour burden is approximately \$89 per filing, and the total cost to prepare this financial information is estimated to be \$24,920 ( $\$89 \times 280$  filers).

PBGC estimates the total annual hour burden on the public to be 532 hours (392 for identifying information + 140 for financial information). PBGC estimates the total dollar equivalent of the annual hour burden to be \$90,860 ( $\$65,940 + \$24,920$ ).

13. Cost burden on the public. PBGC expects that about half of filers will have outside consultants prepare identifying and financial information, and that all filers will have actuarial information prepared by outside actuarial consultants. PBGC estimates that the cost to prepare identifying and financial information would be \$147 and \$223 respectively for a total estimated annual cost burden for this preparation of \$103,600 ( $\$370 \times 280$  filers).

PBGC estimates that the cost to prepare actuarial information required under the regulation will be approximately \$22,800 for a filing with a projected total annual cost of \$12,768,000 ( $\$22,800 \times 560$  filers).

Therefore, the total estimated annual cost burden on the public would be approximately \$12,871,000 ( $\$12,768,000 + \$103,600$ ).

14. Costs to the Federal government. PBGC estimates that the total annual cost associated with work performed by outside contractors will be \$20,600 per year. This work includes organizing data and auditing and contacting filers for missing information. This cost burden excludes costs for work performed by existing PBGC staff as part of their regular duties.

15. Explanation of burden changes. The burden changes to this collection of information are a result of a projected increase in the number of filings (from an estimated 410 in the current

inventory to a projected 560 requested) and that PBGC has adopted an experience-based burden estimation.

PBGC previously estimated the time spent to prepare the information collection and relied on public comments received, if any, on the burden estimates. PBGC has switched to using “experience-based” burden where possible. (For new collections, there is no experience to use. In some cases, PBGC is unsuccessful in getting data from respondents.) Experience-based burden uses actual experience — of time and money spent and of the cost of time — to arrive at estimated burden figures. The information on filer experience is gathered by contacting nine or fewer persons who prepared and submitted filings to PBGC. The resultant burden figures may be higher or lower than PBGC’s previous estimated figures — sometimes much higher or lower — and may fluctuate as time goes by and more experience is available.

Based on filer experience, the hour burden decreased (from an estimated 3,600 hours in the current inventory to an estimated 532 requested) in part due to electronic filing through PBGC’s e-Filing Portal. Most filers are repeat filers and the portal provides for pre-population of certain information from the previous filing, which can dramatically reduce the time to file. Filers also have stated that identifying and financial information tends to be readily available and easily includable.

Based on filer experience PBGC estimates that about half of filers would outsource preparing identifying and financial information, which shifts burden away from an in-house hourly burden to an outsourcing cost burden. In addition to this shift, the cost burden also increased (from an estimated \$6,560,000 in the current inventory to an estimated \$12,871,040 requested) because of an estimated increase in actuarial costs (based on filer experience) than

what PBGC had previously estimated. Filer experience shows that the actuarial information required is prepared by actuarial consultants (and must be certified by an enrolled actuary), and which requires new calculations based on certain assumptions mandated by law, as well as reflecting demographic or other plan provision changes each year. The plans on which testing and reporting are performed are typically large and complex.

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

17. Display of expiration date. PBGC will display the expiration date.

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