

SUPPORTING STATEMENT FOR PAPERWORK REDUCTION ACT 1995 SUBMISSION

The Department of Labor, Employee Benefits Security Administration approval of the control number for this new information collection.

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 (ERISA) requires administrators of defined contribution plans and defined benefit plans to provide periodic pension benefit statements to participants and certain beneficiaries.¹ If a defined contribution plan permits participants and beneficiaries to direct their own investments, benefit statements must be provided at least once each quarter. If the defined contribution plan does not permit participants and beneficiaries to direct their own investments, benefit statements must be provided at least once each year. In the case of defined benefit plans, benefit statements generally must be provided at least once every three years. Section 105(a)(2) of ERISA contains the content requirements for benefit statements. Section 105(a)(2)(A)(i)(I) requires a benefit statement to indicate the participant's or beneficiary's "total benefits accrued." The other content requirements in section 105, such as vesting information, are not relevant to this rulemaking.

2010 Request for Information.

On February 2, 2010, the Department of Labor (Department) and the Department of the Treasury (Treasury Department) published a request for information, entitled "Request for Information Regarding Lifetime Income Options for Participants and Beneficiaries in Retirement Plans" (2010 RFI), which contained 39 questions on a wide array of subjects, including questions about appropriate methods and assumptions to be used when estimating the income stream that could be provided from an individual account balance in a defined contribution plan.² The Department received over 700 comment letters in response to the 2010 RFI. And on September 14 and 15, 2010, the Departments held a joint hearing on lifetime income options to consider several specific issues raised by commenters on the 2010 RFI, including methods and assumptions for lifetime income stream illustrations.³

Advance Notice of Proposed Rulemaking.

¹ 29 U.S.C. 1025(a).

² See 75 FR 5253.

³ See 75 FR 48367.

On May 8, 2013, the Department published an advance notice of proposed rulemaking (ANPRM) regarding the pension benefit statement requirements under section 105 of ERISA.⁴ The ANPRM proposed requiring up to four lifetime income illustrations: (1) a single life annuity based on the current account balance; (2) a qualified joint and 50% survivor annuity, if the participant is married, based on the current account balance; (3) a single life annuity based on a projected account balance (current account balance projected to normal retirement age, taking into account estimated investment returns, future contributions, and inflation); and (4) a qualified joint and 50% survivor annuity, if the participant is married, based on a projected balance. The ANPRM included a safe harbor that would have deemed it reasonable for a plan administrator to use certain assumptions when preparing these lifetime income illustrations. The Department received 125 comment letters on the ANPRM, which are available for review on the Department's website.

SECURE Act Amendments.

On December 20, 2019, ERISA section 105 was amended by section 203 of the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act). As amended, ERISA section 105 requires, in relevant part, that “a lifetime income disclosure ... be included in only one pension benefit statement provided to participants of defined contribution plans during any one 12-month period.” A lifetime income disclosure “shall set forth the lifetime income stream equivalent of the total benefits accrued with respect to the participant or beneficiary.” A lifetime income stream equivalent means the amount of monthly payments the participant or beneficiary would receive if the total accrued benefits of such participant or beneficiary were used to provide a single life annuity and a qualified joint and survivor annuity. The required lifetime income streams must be “based on assumptions specified in rules prescribed by the Secretary.”

Section 105(a)(2)(D)(iii) of ERISA provides for conversion assumptions. In relevant part it states that “[n]ot later than 1 year after the enactment of the [SECURE Act], the Secretary shall ... prescribe assumptions which administrators of individual account plans may use in converting total accrued benefits into lifetime income stream equivalents[.]” This section also provides that the Secretary “shall ... issue interim final rules...” within this timeframe.

Section 105(a)(2)(D)(ii) of ERISA provides for a model disclosure. In relevant part it states that “[n]ot later than 1 year after the date of enactment of the [SECURE Act], the Secretary shall issue a model lifetime income disclosure, written in a manner so as to be understood by the average plan participant.”

Section 105(a)(2)(D)(iv) of ERISA provides a limitation on liability. In relevant part it states that “[n]o plan fiduciary, plan sponsor, or other person shall have any liability under this title solely by reason of the provision of lifetime income stream equivalents which are derived in accordance with the assumptions and rules [prescribed by the

⁴ See 78 FR 26727.

Secretary] and which include the explanations contained in the model lifetime income disclosure [prescribed by the Secretary].”

Section 105(a)(2)(D)(v) sets forth the effective date of the SECURE Act amendments. In relevant part it states that the new lifetime income disclosure requirement “shall apply to pension benefit statements furnished more than 12 months after the latest of the issuance by the Secretary of...” the interim final rules, the model disclosure, or the assumptions prescribed by the Secretary.

The Interim Final Regulation (the IFR) requires, consistent with the SECURE Act amendments to ERISA section 105 and the Department’s prior work on issues related to lifetime income options in defined contribution plans, that plan administrators of individual account plans include two lifetime income stream illustrations on participants’ pension benefit statements. Specifically, paragraph (b) of the IFR requires that pension benefit statements include, at least annually: the participant’s account balance as of the last day of the statement period; such account balance expressed as a lifetime income stream payable in equal monthly payments for the life of the participant (single life annuity); and such account balance expressed as a lifetime income stream payable in equal monthly payments for the life of the participant, with a survivor’s benefit of an amount equal to 100% of the amount payable for the life of the survivor’s spouse (qualified joint and 100% survivor annuity).

- 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 collection.**

Section 203 of the SECURE Act amends section 105(a) of ERISA to require the provision of two sets of lifetime income stream illustrations as part of at least one pension benefit statement furnished to participants during a 12-month period. The information that plan administrators would be required to produce under the IFR will benefit defined contribution plan participants and beneficiaries as it will help them to better understand their retirement savings as a vehicle for income replacement during retirement and to periodically assess their progress toward achieving their retirement goals. The IFR provides guidance on the content of the two required lifetime income stream illustrations and the assumptions needed to generate the illustrations. Further, plan sponsors and other ERISA fiduciaries that comply with the IFR and use the model language for benefit statements contained in the IFR will not have any liability under ERISA solely for providing the illustrations to plan participants. Therefore, the IFR also benefits plan fiduciaries by reducing litigation risks associated with providing lifetime income illustrations.

- 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.

Under 29 C.F.R. § 2520.104b-1(b) of ERISA, “where certain material, including reports, statements, and documents, is required under Part I of the Act and this part to be furnished either by direct operation of law or an individual request, the plan administrator shall use measures reasonably calculated to ensure actual receipt of the material by plan participants and beneficiaries.” Sections 2520.104b-1(c) and 2520.104b-31 establish the standards by which disclosures under Title I of ERISA made through electronic media will be deemed to satisfy the requirement of § 2520.104b-1(b). Section 2520.107-1 establishes standards concerning the use of electronic media for maintenance and retention of records. Under these rules, all pension plans covered under Title I of ERISA may use electronic media to satisfy disclosure and recordkeeping obligations, subject to specific safeguards.

The IFR assumes that 92.7 percent of benefit statements would be sent electronically,⁵ which the Department assumes would be distributed through means already used by respondents in the normal course of business. The Department assumes that the costs arising from electronic distribution would be negligible.

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

This information requested by the Department is not required from any other source and is not duplicative. The ICR would not conflict with any relevant federal rules. A benefit statement is furnished by the administrator of a retirement plan pursuant to section 105(a) of ERISA and not under any other federal rules. SECURE Act section 203 amends the pension benefit statement rules under ERISA section 105 to require that individual account plans add a “lifetime income disclosure” to at least one pension benefit statement furnished to participants during a 12-month period only under ERISA and we are aware of no other relevant or duplicative federal rule.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

The majority of private retirement plans are small plans with fewer than 100 participants. Of the 675,000 defined contribution plans in 2018, 87 percent or 590,254 had fewer than 100 participants. However, small plans cover only a fraction of total participants, accounting for only 12 percent of participants in 2018.⁶ It is necessary for the information collection to apply equally to large and small plans to ensure that all participants and beneficiaries benefit from lifetime income

⁵ The Department estimates approximately 56 percent of participants receive disclosures electronically under the 2002 electronic disclosure safe harbor, and additional 36.7 percent of participants receive them electronically under the Department’s new electronic disclosure safe harbor, published in 2020.

⁶ Private Pension Plan Bulletin 2018, Employee Benefits Security Administration, Department of Labor.

illustrations and other information available in benefit statements. This rule will affect all ERISA-covered defined contribution plans. However, the Department believes (1) that the majority of small recordkeepers purchase software from outside software vendors to create compliant benefit statements and (2) that most software vendors will add features to the software that produce lifetime income illustrations at negligible increased costs to a small plan

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.

The information collection does not involve reporting to federal program or policy activities. The information collection is conducted as required by the SECURE Act. As discussed above, the SECURE Act requires the Department to issue interim final rules that include assumptions for converting participant account balances to single life and joint and survivor annuities, as well as model language to provide required explanations of the lifetime income disclosures, within 12 months of the SECURE Act's enactment. The Department published the IFR on September 18, 2020 (85 FR 59132).

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 result 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.**

There are no special circumstances that require the collection to be conducted in a manner inconsistent with the guidelines in 5 CFR 1320.5.

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 published the 60-day notice as required by (5 CFR 1320.11(c); 5 CFR 1320.11(e)) soliciting comments on the ICR in the preamble to the Interim Final Rulemaking published in the Federal Register on September 18, 2020 (85 FR 59132).

The Department received 36 comments on the IFR from interested parties, all of which are available on the Department’s website.⁷ Commenters generally supported the inclusion of lifetime income illustrations on pension benefit statements, as a tool to enhance participants’ understanding of how their account balance might translate into a monthly amount of income during retirement. A number of commenters specifically endorsed the IFR’s use of uniform, standardized assumptions and explanations, explaining that this approach would benefit participants without undue burden on plan administrators. Others, however, posited that the IFR’s standardized approach may result in more limited benefits to participants, and suggested alternative methodologies.

As to calculating the required lifetime income illustrations, most commenters supported the underlying assumptions provided in the IFR, but some asked the Department to consider, for example, whether different assumed retirement ages or survivor benefit percentages should be used, or whether inflation or insurance loads should be factored into the calculation. Some commenters objected to the IFR’s requirement for illustrations based only on participants’ current account balances, rather than (or in addition to) projecting participants’ account balances to retirement age based on investment earnings and additional plan contributions. In many cases, commenters merely requested clarification about whether and how to apply the IFR to different plan and investment features, for example outstanding participant loans and

⁷ <https://www.dol.gov/agencies/ebsa/laws-and-regulations/rules-and-regulations/public-comments/1210-AB20-2>.

in-plan annuity products; or requested minor modifications to the model language provided by the Department to explain the lifetime income illustrations.

In addition to comments on the illustrations themselves, some commenters asked the Department to clarify the scope of the liability relief provided to ERISA plan fiduciaries under the IFR, including for plans that voluntarily offer additional lifetime income illustrations or retirement planning tools beyond those that are required in the IFR.

Some commenters offered several ways to further reduce administrative costs. Some urged the Department to use age 67 in all cases, as plan sponsors do not always provide employees' dates of birth to their service providers—especially smaller employers. Otherwise the administrative burden for both these employers and their service providers will be increased. Other commenters suggested that stated or static factors should be used instead of variable factors, particularly with regard to the IFR's assumed interest rate, because it could reduce the cost to build the systems necessary to calculate the lifetime income illustrations.

The Department currently is working toward publishing a final rule and, in doing so, is considering commenters suggestions for changes to the IFR, as well as the potential benefits and costs of such changes, in light of the Department's ongoing policy goals with respect to enhancing participants' understanding of, and decision-making with respect to, their retirement income.

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

No payments or gifts are provided to respondents.

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

None.

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 person from whom the information is requested, and any steps to be taken to obtain their consent.

There are no questions of a sensitive nature pertaining to sexual behavior and attitudes, religious beliefs, or other matters that are commonly considered private. Therefore, no additional justification is necessary.

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 difference 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.**
 - **Provide estimates of annualized cost to respondents for the hour burdens for collection 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.**

The Department estimates the number of respondents is 721,876, which includes 46,869 defined benefit plans, and 675,007 defined contribution plans.⁸ According to ERISA section 105, the frequency of response is (1) at least once each quarter for a defined contribution plan permitting participants to direct their investment, (2) at least once each year for a defined contribution plan that does not permit participants to direct their investments, and (3) at least once every three years or upon request for defined benefit plans. According to the Form 5500 data, in the 2018 plan year, there were 1,762 recordkeepers servicing defined contribution plans.

The Department estimates that the annual hour burden on defined contribution plans will be 32,702 in the first year, 13,162 in the second year, and 13,162 in the third year. The hour burden in the first year includes three categories. The first category includes 9,302 hours spent by large recordkeepers currently providing lifetime income illustrations in modifying their current assumptions and language to adopt the assumptions and model language in the IFR.⁹ For each large recordkeeper, the modification will take 20 hours from an attorney, 24 hours from an actuary, and 24 hours from a computer system analyst (i.e., 68 hours per recordkeeper).¹⁰ The second category includes 8,775 hours spent by recordkeepers not currently providing lifetime income illustrations in converting account balance to annuities using DOL assumptions.¹¹ For each recordkeeper, this conversion will take six hours from an actuary.¹² The third category includes 14,625 hours spent by recordkeepers not

⁸ Private Pension Plan Bulletin 2018, Employee Benefits Security Administration, Department of Labor.

⁹ The Department assumes 30 percent of the 456 large recordkeepers currently providing lifetime income illustrations. According to the Form 5500 data, in the 2018 plan year, there were 1,762 recordkeepers servicing defined contribution plans. The 456 largest recordkeepers serviced plans holding approximately 99 percent of total plan assets, while the remaining 1,280 serviced plans holding a mere 1 percent.

¹⁰ The number of 9,302 is calculated by multiplying 456 large recordkeepers by 30 percent and by 68 hours per recordkeeper.

¹¹ The Department assumes 83 percent of the 1,762 recordkeepers not currently providing lifetime income illustrations.

¹² The number of 8,775 is calculated by multiplying 1,762 recordkeepers by 83 percent and by 6 hours per recordkeeper.

currently providing lifetime income illustrations in training their staff to properly navigate the system. Each recordkeeper has 10 computer system analyst, and the training will take one hour from each analyst.¹³

The hour burden in the second year includes two categories. The first category includes 5,850 hours spent by recordkeepers not currently providing lifetime income illustrations in converting account balance to annuities using DOL assumptions.¹⁴ For each recordkeeper, this conversion will take four hours from an actuary.¹⁵ The second category includes 7,312 hours spent by recordkeepers not currently providing lifetime income illustrations in training their staff to properly navigate the system. Each recordkeeper has 10 computer system analysts, and the training will take half an hour from each analyst.¹⁶

The Department assumes the hour burden in the third year will be the same as the burden in the second year.

The Department estimates the annualized cost to respondents for the hour burdens for collection of information will be \$4.4 million in the first year, \$1.8 million in the second year, and \$1.8 million in the third year. The estimation is based on the aforementioned hour burden and the hourly labor rates for attorneys (\$140.96), actuaries (\$155.40), and computer system analysts (\$121.64).¹⁷

The annualized cost of \$4.4 million in the first year consists of costs associated with the three aforementioned hour burden categories, which are \$1.3 million, \$1.4 million, and \$1.8 million, respectively.¹⁸ The annualized cost of \$1.8 million in the second year and third year consists of costs associated with the two aforementioned

¹³ The number of 14,625 is calculated by multiplying 1,762 recordkeepers by 83 percent, by 10 computer system analyst per recordkeeper, and by 1 hour per computer system analyst.

¹⁴ The Department assumes 83 percent of the 1,762 recordkeepers not currently providing lifetime income illustrations.

¹⁵ The number of 5,850 is calculated by multiplying 1,762 recordkeepers by 83 percent and by 4 hours per recordkeeper.

¹⁶ The number of 7,312 is calculated by multiplying 1,762 recordkeepers by 83 percent, by 10 computer system analyst per recordkeeper, and by 0.5 hour per computer system analyst.

¹⁷ DOL estimates of labor costs by occupation reflect estimates of total compensation and overhead costs. Estimates for total compensation are based on mean hourly wages by occupation from the 2020 Occupational Employment Statistics and estimates of wages and salaries as a percentage of total compensation by occupation from the 2020 National Compensation Survey's Employee Cost for Employee Compensation. Estimates for overhead costs for services are imputed from the 2017 Service Annual Survey. To estimate overhead cost on an occupational basis, OPR allocates total industry overhead cost to unique occupations using a matrix of detailed occupational employment for each NAICS industry. All values are in 2020 dollars.

¹⁸ The number of \$1.3 million is calculated by summing up the costs associated with an attorney, an actuary, and a computer system analyst. The costs associated with each of the three types of professionals are calculated by multiplying four numbers: (1) 456 large recordkeepers; (2) the percentage of recordkeepers currently providing lifetime income illustrations (30 percent); (3) the hourly rate of a professional (an attorney, actuary, or a computer system analyst); and (4) number of hours (20 hours for an attorney, 24 hours each for an actuary and a computer system analyst). The number of \$1.4 million is calculated by multiplying 1,762 recordkeepers, by 83 percent, by 6 hours, and by the hourly rate of an actuary (\$155.40). The number of \$1.8 million is calculated by multiplying 1,762 recordkeepers, by 83 percent, by 10 computer system analyst, by 1 hour, and by the hourly rate of a computer system analyst (\$121.64).

hour burden categories, which are \$0.91 million and \$0.89 million, respectively.¹⁹

Estimated Annualized Respondent Cost and Hour Burden

Activity	No. of Respondents	No. of Responses per Respondent	Total Responses	Average Burden (Hours)	Total Burden (Hours)	Hourly Wage Rate	Total Burden Cost
Attorneys for large recordkeepers modify assumptions and language in lifetime income illustrations (Year 1)	137	1	137	20	2,736	\$140.96	\$385,667
Actuaries for large recordkeepers modify assumptions and language in lifetime income illustrations (Year 1)	137	1	137	24	3,283	\$155.40	\$510,209
Computer System Analyst for large recordkeepers modify assumptions and language in lifetime income illustrations (Year 1)	137	1	137	24	3,283	\$121.64	\$399,368
Actuaries for recordkeepers, not currently providing lifetime income illustrations, convert account balance to annuities (Year 1)	1,462	1	1,462	6	8,775	\$155.40	\$1,364,598
Computer system analysts for recordkeepers, not	14,625	1	14,625	1	14,625	\$121.64	\$1,778,936

¹⁹ The number of \$0.91 million is calculated by multiplying 1,762 recordkeepers, by 83 percent, by 4 hours, and by the hourly rate of an actuary (\$155.40). The number of \$0.89 million is calculated by multiplying 1,762 recordkeepers, by 83 percent, by 10 computer system analyst, by 0.5 hour, and by the hourly rate of a computer system analyst (\$121.64).

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currently providing lifetime income illustrations, train their staff to properly navigate the system (Year 1)							
Actuaries for recordkeepers, not currently providing lifetime income illustrations, convert account balance to annuities (Year 2)	1,462	1	1,462	4	5,850	\$155.40	\$909,065
Computer system analysts for recordkeepers, not currently providing lifetime income illustrations, train their staff to properly navigate the system (Year 2)	14,625	1	14,625	0.5	7,312	\$121.64	\$889,468
Actuaries for recordkeepers, not currently providing lifetime income illustrations, convert account balance to annuities (Year 3)	1,462	1	1,462	4	5,850	\$155.49	\$909,065
Recordkeepers, not currently providing lifetime income illustrations, train their staff to properly navigate the system (Year 3)	14,625	1	14,625	0.5	7,312	\$121.64	\$889,468
Total (3-Year Average)	721,876*	569.2575	410,933,333**	0.0000478	19,675	-	\$2,678,282

Note:

* As we state in Question 12, the Department estimates the number of respondents is 721,876, which includes 46,869 defined benefit plans, and 675,007 defined contribution plans.

**The number of responses is calculated in the following manner: (391,600,000 participants in DC plans that allow direct investment) + (8,000,000 participants in DC plans that do not allow direct investments) + (9,133,333 participants in DB plans that are not frozen) + (2,200,000 participants in DB plans that are frozen) = 410,933,333

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).

The Department estimates that the total annual cost burden to respondents or recordkeepers resulting from the collection of information will be \$630.6 million in the first year, \$434 million in the second year, and \$432.3 million in the third year. This estimation first establishes a baseline cost burden for participant benefit statements that are issued by all plans covered by ERISA section 105. It then adds the cost burden associated with the IFR, which adds content requirements to the pension benefit statements provided to defined contribution plan participants by requiring a lifetime income illustration to be included with the statement at least annually.

Baseline Cost of Preparing and Delivering Pension Benefit Statement.

Based on discussions with the regulated community, the Department believes the all-inclusive cost to produce pension benefit statements for defined contribution plan participants is approximately \$1.50 per paper (\$0.70 per electronic) statement,²⁰ while the all-inclusive cost to produce pension benefit statements for defined benefit plan participants is approximately \$15.00 per paper (\$14.40 per electronic) statement.²¹ The Department believes that plan administrators of frozen defined benefit plans will provide pension benefit statements, as described in section 105(a), to frozen defined benefit plan participants in lieu of a pension benefit statement, at an all-inclusive cost of approximately \$0.75 per paper (\$0.15 per electronic) notice.²²

According to 2018 Form 5500 data, defined contribution plans that allow participants to direct investments cover 97.9 million participants.²³ These plans must provide

²⁰ A paper statement for a defined contribution plan participant typically has five pages with printing cost of \$0.05 per page. An electronic statement cost of \$0.70 is calculated by subtracting printing cost of \$0.25 and postage cost of \$0.55 from the paper statement cost of \$1.50.

²¹ A paper statement for a defined benefit plan participant typically has one page with printing cost of \$0.05 per page. An electronic statement cost of \$14.40 is calculated by subtracting printing cost of \$0.05 and postage cost of \$0.55 from the paper statement cost of \$15.

²² A paper notice for a frozen defined benefit plan participant typically has one page with printing cost of \$0.05 per page. An electronic notice cost of \$0.15 is calculated by subtracting printing cost of \$0.05 and postage cost of \$0.55 from the paper notice cost of \$0.75.

²³ Of these 97.9 million participants, 8 (90.8) million participants will receive paper (electronic) statements in the first year. These numbers are 7.2 (90.7) million in the second year and 6.5 (90.8) million in the third year.

quarterly statements to participants. Plans produce the quarterly statement at an estimated cost of \$1.50 (\$0.70) per paper (electronic) statement and a resultant cost burden of \$287.3 million in the first year, \$287.1 million in the second year, and \$287.3 million in the third year. Defined contribution plans that do not allow participants to direct investments cover 8 million participants.²⁴ These plans are required to furnish *annual* statements.²⁵ Plans produce the annual statement at an estimated cost of \$1.50 (\$0.70) per paper (electronic) statement and a cost burden of \$6.0 million in the first year, \$6.0 million in the second year, and \$6.0 million in the third year.

Defined benefit plans that are not frozen cover 27.4 million participants.²⁶ These plans are only required to provide benefit statements every three years. Plans produce the statement at an estimated cost of \$15.00 (\$14.40) per paper (electronic) statement and a cost burden of \$135.4 million in the first year, \$135.3 million in the second year, and \$134.4 million in the third year. Frozen defined benefit plans cover 6.6 million participants and furnish pension benefit statements.²⁷ At an estimated cost of \$0.75 (\$0.15) per paper (electronic) notice, this results in a cost burden of \$0.4 million in the first year, \$0.4 million in the second year, and \$0.4 million in the third year. As a baseline, under the current rules, the Department estimates that producing and distributing pension benefit statements costs plans a total of \$429 million in the first year, \$428.9 million in the second year, and \$429 million in the third year.²⁸

Lifetime Income Illustrations.

For each of the 79.5 million²⁹ defined contribution plan participants with account balances whose statements will include a lifetime income illustration, the Department estimates that the IFR will increase the cost of producing and distributing statements by \$2.54 per participant in the first year, \$0.06 in the second year, and \$0.04 in the third year.³⁰ The total annual cost burden of providing lifetime income illustrations in

²⁴ Of these 8 million participants, 0.7 (7.4) million participants will receive paper (electronic) statements in the first year. These numbers are 0.6 (7.4) million in the second year and 0.5 (7.4) million in the third year.

²⁵ Section 105(a)(3)(A) of ERISA permits all DB plans, whether or not frozen, to provide an annual notice of availability of the pension benefit statement in lieu of a triennial statement. For purposes of this analysis, the Department assumes that all DB plans furnish the triennial statement. The Department welcomes comments regarding this assumption. The analysis does not take into account the requirement in Section 105(b) of ERISA to provide a benefit statement upon request subject to a limitation of one request every 12 months.

²⁶ Of these 27.4 million participants, one third of 2.2 (25.4) million will receive paper (electronic) statements in the first year. These numbers are one third of 2.0 (25.4) million in the second year and one third of 1.8 (25.4) million in the third year.

²⁷ Of these 6.6 million participants, one third of 0.5 (6.1) million will receive paper (electronic) notices in the first year. These numbers are one third of 0.5 (6.1) million in the second year and one third of 0.4 (6.1) million in the third year.

²⁸ The total cost of \$429 million is the sum of the four estimated costs incurred by defined contribution plans allowing and not allowing participants to direct investments and frozen and non-frozen defined benefit plans. The \$428.9 million and \$429 million estimates are calculated by the same method.

²⁹ Of these 79.5 million participants, 6.5 (73.7) million will receive paper (electronic) statements in the first year. These numbers are 5.8 (73.7) million participants in the second year and 5.3 (73.7) million participants in the third year.

pension benefit statements will be \$201.6 million in the first year, \$5.1 million in the second year, and \$3.2 million in the third year.

In summary, the Department estimates that the total annual cost burden, which includes the costs of producing pension benefit statements and providing lifetime income illustrations for participants with account balances in defined contribution plans will be approximately \$630.6 million in the first year, \$434 million in the second year, and \$432.3 million in the third year.³¹ The three-year average cost burden will be \$499 million.

- 14. Provide estimates of annualized cost to the federal government. Also, provide an description of the method used to estimate cost, which should include quantification of hours, operations 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.**

There are no ongoing costs to the federal government.

- 15. Explain any reasons for any program changes or adjustments.**

This is a new information collection. The Department has revised its estimates since the Interim Final Rule published in September 2020 and used data from the latest Form 5500 to reflect the number of defined contribution plans and the number of defied benefit plans. The labor rates have also been updated.

- 16. For collection 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.**

This is not a collection of information for statistical use and the Department does not intend to publish the results of this collection.

- 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.**

The collection of information will display a currently valid OMB control number.

³⁰ The estimate of \$2.54 is calculated by dividing the first-year total annual cost burden of producing lifetime income illustrations (\$201.5 million) by the number of defined contribution participants with account balances (79.5 million). The estimates of \$0.06 and \$0.04 are calculated by the same method, but the numerator is the second- and third-year total annual cost burden of producing lifetime income illustrations (\$5.1 million and \$3.3 million, respectively).

³¹ The estimate of \$636.3 million is the sum of the first-year total annual cost burden of producing lifetime income illustrations, \$201.6 million, and the baseline cost of preparing and delivering pension benefit statement, \$434.8 million. The estimates of \$434 million and \$427.1 million are calculated by the same method.

18. Explain each exception to the certification statement.

There are no exceptions to the certification statement.

B. Collection of Information Employing Statistical Methods.

Not applicable.