

July 30, 2014

Submitted electronically to
paperwork.comments@pbgc.gov

Legislative and Regulatory Department
Pension Benefit Guaranty Corporation
1200 K Street, N.W.
Washington, DC 20005-4026

Re: Proposed Submission of Information Collection for OMB Review: Comment Request:
Termination of Single-Employer Plans, Missing Participants
(OMB Control Number 1212-0036)

The Pension Rights Center is a nonprofit consumer organization that has been working since 1976 to protect and promote the retirement security of American workers, retirees, and their families. The Center commends the Pension Benefit Guaranty Corporation (PBGC) for proposing that plan administrators of single-employer pension plans undergoing a standard termination or initiating a distress termination include the most recent plan document and proof of benefit distributions along with the required termination forms (Form 501 or Form 602). The additional information will help the PBGC respond to participants and beneficiaries inquiring about their benefits from terminated plans and will better enable the PBGC to determine benefits due in distress terminations.

We also urge the PBGC to require that plan administrators of single-employer plans undergoing standard terminations provide to the PBGC an accurate list of annuity providers and a list of participants entitled to an annuity from each annuity provider. Additionally, plan administrators should provide to the PBGC a list of all other plans that have been merged into the terminating plan along with plan documents, including summary plan descriptions (SPDs), from those plans.

Discussion

Participants who leave employment with deferred vested benefits that can be claimed at a future date often have difficulty finding their benefits years later. Employers change locations, merge with other companies, and go out of business. The PBGC is the primary contact for participants looking for benefits from terminated plans of these employers.

Employers terminating plans are required to send notices to participants about their benefits. However, many years may pass before a former employee reaches retirement age. Notices can be lost, misplaced, or forgotten. In addition, surviving spouses may have no idea whom to contact for survivor benefits. The PBGC provides a vitally important service for participants and beneficiaries in terminated plans by responding to their searches for benefits and, in the case of standard terminations, directing them to the annuity providers that have assumed responsibility for paying their benefits.

Many participants and surviving spouses contact the PBGC after receiving a “Notice of Potential Private Pension Benefit Information” from the Social Security Administration, which alerts them

to the possibility of pension benefits. This notice is based on information provided by an employer when an employee leaves employment. In many cases the information is years old.

Problems arise when annuity providers do not have a record of the participant or beneficiary. This may be the result of a simple clerical error. It can also happen because a participant received a lump-sum distribution at or before plan termination and is not entitled to an annuity.

The Pension Rights Center agrees that the PBGC needs additional information on plan provisions and distributions from administrators of terminating plans in order to assist participants and beneficiaries in these plans who are seeking their benefits. This is particularly important because the PBGC has the responsibility to pay participants and beneficiaries who have established their entitlement to benefits but did not have an annuity purchased in their names.¹ A copy of the most recent plan document and proof of benefit distributions is the minimum necessary to enable PBGC to direct inquirers to the appropriate annuity provider and to determine whether the PBGC has an obligation to pay benefits in cases where an annuity was not purchased for the participant. But in many cases additional information will be needed.

Recommendations

The Pension Rights Center recommends that the PBGC require administrators of single-employer plans undergoing standard terminations to provide an accurate list of all annuity providers with which the plan has contracted, as well as a list of the participants entitled to an annuity from each of the annuity providers. The list of annuity providers should include the group contract numbers and contact information for each annuity provider.

Additionally, deferred vested participants have extra difficulties locating benefits when companies are acquired, merged, or separated from a parent company. We recommend that the PBGC require administrators of terminating single-employer plans to provide to the PBGC a list of any plans that have been merged into the terminating plan and copies of plan documents, including SPDs, from those merged plans.

We appreciate this opportunity to comment on the importance of plan documents and distribution information from terminating single employer plans so that the PBGC can better assist participants and beneficiaries seeking benefits.

If you have any questions about these comments, please contact Jane Smith (202) 296-3776. jsmith@pensionrights.org

Sincerely,



Jane Smith
Policy Analyst



Henry Rose
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¹ ERISA Section 4022(a), 29 U.S.C. Section 4022(a).