



Comments on Electronic Filing - Annual Financial and Actuarial Information

Comments:

- 1- Comments submitted by WATKINS, ROSS & Co. on Electronic Filing - Annual Financial and Actuarial Information
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WATKINS, ROSS & Co.

May 9, 2005

Pension Benefit Guaranty Corporation
Legislative & Regulatory Department
1200 K Street, NW
Washington, DC 20005-4026

RE: Comments on PBGC Proposed Regulations to Require Electronic Filing

To Whom It May Concern:

During the last year, I thoroughly researched the capabilities of My PAA and used the online system to prepare the 2004 PBGC filing for one of our clients. Due to the proposed regulation to require E-Filing, I set up several more plans on our account and contacted our clients with large plans to E-File their 2005 Form 1-ES. We prepare the PBGC forms for about 130 clients, so there is a lot of work necessary to meet the proposed required E-Filing dates. I feel the process would be more efficient if the deadlines for required E-Filing were later than 2006 and 2007 because:

1. My PAA does not calculate the Adjusted Value of Unfunded Vested Benefits required for the Schedule A, so we must use another system to do the calculation. This requires entering each plan's information into two systems.
2. The process to set up plans on My PAA can be time consuming. To accurately inform our clients about My PAA, we:
 - A. Send our client contact introductory information regarding My PAA
 - B. Receive the listing of practitioners and authorization to act as Filing Coordinator
 - C. Send all practitioners detailed information and registration instructionsAfter these steps are completed, all practitioners must complete the registration process and activate their accounts prior to creating a filing.
3. Firms may need to rethink who is responsible for signing the form and authorizing payment now that it requires more than physically signing the form placed in front of the individual. This may prolong the set up process.
4. Many inaccuracies appear in the information displayed on My PAA due to the prior paper filings not scanning well. Given that we use Sunguard/Corbel as our current software provider, I expect other companies will also encounter this problem.

5. Correcting the inaccuracies listed above (see #4) prolongs the set up process. I submit a request to PBGC's Customer Service to make the corrections prior to inviting practitioners to participate to avoid the errors reflecting poorly on our firm.
6. My PAA does not have the capability to produce the PBGC Underfunded Notice to Participants. Although this is not critical to E-File the forms, if this feature were added to My PAA, it would avoid duplicate entries into another system to produce the notice.

These issues will hopefully be resolved by the PBGC; however, it is unrealistic to think this will happen in time for all plans to efficiently comply with the proposed deadline. Thank you for considering these comments.

Sincerely,

Kimberly A. Hjort
Pension Analyst
Watkins, Ross & Co.

RETIREMENT PLAN CONSULTANTS, ACTUARIES AND ADMINISTRATORS
161 Ottawa Avenue, N.W., Suite 505 / Grand Rapids, Michigan 49503-2769

May 6, 2005

Pension Benefit Guaranty Corporation
1200 K Street NW
Washington, D.C. 20005-4026

RE: Comments on the Pension Benefit Guaranty Corporation 29 CFR Parts 4000 and 4007 Electronic Premium Filing, March 2005

Ladies and Gentlemen:

The Northern Trust Company appreciates the opportunity to comment on the Pension Benefit Guaranty Corporation's proposed rule regarding *Electronic Premium Filing Document* published on March 9, 2005.

The Northern Trust Company, an Illinois corporation headquartered in Chicago, Illinois ("Northern") is a leading provider of a broad array of financial products and services. As of March 31, 2005, Northern and its affiliated entities had approximately \$2.6 trillion of assets under custody, and served as trustee or custodian to approximately 440 defined benefit pension plan clients with PBGC premium filing obligations.

Our ERISA pension clients are large plans, the majority of which have over 500 participants. As such the "My PAA" electronic premium filing system is not a practical alternative for paying premiums. My PAA focuses on small plans and the premium payment methods are ill-suited for existing systems.

The trust accounting system Northern uses for its ERISA client relationships is not designed to accommodate electronic checks, direct debit or pull-type ACH transactions. If these were a client's only permitted PBGC premium payment options, we estimate that account maintenance fees would have to be increased at least \$2,100 annually per client to cover our additional cost of processing such payments. Overall that would increase the annual burden of the collection of premiums for Northern's clients by almost \$1 million. We believe, based on industry knowledge and experience, that the trust systems of many other custodians are similarly constrained.

That said, the proposed premium e-filing method described in the proposed rule appears to be a workable solution. Northern is very encouraged by the statement, "The PBGC expects to continue accepting premium payments from such filers in the same way it does now, by paper check, wire transfer, or Automated Clearing House," and we urge the PBGC to move forward on this basis.

Respectfully,

Melanie B. Ferengul
Vice President
The Northern Trust Company



May 5, 2005

Legislative and Regulatory Department
Pension Benefit Guaranty Corporation
1200 K Street, NW
Washington, DC 20005-4026
FAX: 202-326-4112

Dear Sir/Madam:

Thank you for seeking comments on the proposed rules that require the electronic filing of premium payments to the Pension Benefit Guaranty Corporation (PBGC). We appreciate the opportunity to provide comments before the rules are finalized.

The Principal Financial Group[®] (The Principal[®]) is a leader in offering businesses, individuals and institutional clients a wide range of financial products and services including retirement and investment services, life and health insurance and banking through its diverse family of financial services companies. A member of the Fortune 500, The Principal has \$156 billion in assets under management and serves some 14.7 million customers worldwide from offices in Asia, Australia, Europe, Latin America and the United States. Among the members of The Principal, Principal Life Insurance Company serves 614,000 individual policyholders, 74,000 group employer clients, and 49,000 pension customers (employers). Princor Financial Services Corporation services approximately 800,000 mutual fund shareholder accounts. Principal Financial Group, Inc., is traded on the New York Stock Exchange under the ticker symbol PFG.

Issue

The proposal requires electronic filing of PBGC premium payments using the on-line e-filing facility "My Plan Administration Account" (My PAA). The requirement would be effective for plans with 500 or more participants starting with the 2006 plan year and for small plans starting with the 2007 plan year.

The Principal[®] provides PBGC premium payment filings for over 1000 clients. We don't develop or sell software products. We use a mainframe computer to capture and store the PBGC premium information. We then print the information on the PBGC premium forms in a batch program and send them to our clients to review and file. We have the following concerns with the PBGC proposal to require electronic filing of premium payments.

Administrative Burden

Creating an electronic filing solution to support the PBGC filing solution would be very costly and burdensome for The Principal[®] for the following reasons:

- My PAA does not allow plan administrators to log on and review the filing after it has been uploaded. This will be costly and burdensome. We will need to produce the filing in one format to have the plan administrator review and approve it, and then in the PBGC's required format to file it.
- My PAA does not support multiple premium filings. Since we are a volume preparer, submitting one filing at a time will be very costly and make it difficult for us to submit the filings in an efficient manner.

Recommendation – Allow volume preparers to submit multiple filings at a time and load these filings onto My PAA. Inform plan administrators when the filing has been submitted. Allow plan administrators to view the filings and either accept them as filed or reject them. Inform the preparer when the plan administrator has rejected the filing.

Service providers wishing to submit the PBGC filings for plan administrators face the burden of collecting and maintaining signed paper certifications while the PBGC requirements are being relaxed to accept electronic certifications. The collection and maintenance of these paper certifications will be very difficult for volume preparers.

Recommendation – Allow plan administrators, enrolled actuaries and other "responsible persons" filing on the plan administrator's behalf to have the option of gathering and maintaining electronic certifications.

Schedule A and Form 1 Prepared by Different Parties

For some clients we provide only the PBGC Schedule A. Currently, enrolled actuaries can provide certified PBGC Schedules A to clients to include with the PBGC Form 1 filing. Under the proposal, the PBGC Form 1 and Sch A will need to be contained in one electronic file. Any filers having the Schedule A prepared and certified by one party and the Form 1 prepared by another party will need to have the Sch A data transcribed into software to convert it to the allowable format. There is potential for transcription errors to occur in this process, thereby creating a "certified" Schedule A that may not contain the data actually certified by the actuary.

Recommendation – Provide formatting requirements for the Schedule A separately and provide a mechanism to merge the data from the Form 1 and Schedule A files into one after submission.

Plan Administrator Burdens

Some plan administrators are reluctant to do business electronically for a variety of reasons, including computer illiteracy, lack of confidence in e-business and resistance to change. These make up a minority of filers, but they should not be ignored.

Recommendation – The PBGC needs to be lenient in granting case by case exemptions in the first year for which all plans will be required to file.

Timing Concerns

The electronic filing of premiums would be effective for plans with 500 or more participants starting with the 2006 plan year and for small plans starting with the 2007 plan year. Since the electronic filing requirements will dramatically change the way we prepare the PBGC filings, we will need a minimum of 12 months to convert our system to produce filings in an acceptable format. Requiring the electronic submission of the premium filings for plans with 500 or more participants beginning with the 2006 plan year is unrealistic.

Recommendation – Require all plans to submit the premium filings electronically beginning in 2007 and allow all plans to continue using paper for 2006.

Conclusion

The Principal Financial Group appreciates the opportunity to offer comments on the Pension Benefit Guaranty Corporation electronic filing proposal. We are optimistic that the final rule will include an acceptable solution to satisfy the objectives of the PBGC while not creating unnecessary costs and burdens for the providers and the plan administrators.

Sincerely,

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Comments on Proposed Rule on Electronic Premium Filing

May 6, 2005

Pension Benefit Guaranty Corporation

29 CFR Parts 4000 and 4007
RIN 1212-AB02

The American Society of Pension Professionals & Actuaries (ASPPA) appreciates this opportunity to comment on the proposed rule on “Electronic Premium Filing” published by the Pension Benefit Guaranty Corporation (PBGC) on March 9, 2005.

ASPPA is a national society of retirement plan professionals. ASPPA's mission is to educate pension professionals and to preserve and enhance the private pension system. Its membership consists of more than 5,500 actuaries, plan administrators, attorneys, CPAs and other retirement plan experts who design, implement and maintain qualified retirement plans, especially for small to mid-size employers.

ASPPA recognizes and supports the PBGC's efforts to streamline its regulations and improve administration of the pension insurance program, specifically with respect to improving the PBGC's processing of premium filings. However, ASPPA is concerned about the effect that mandatory e-filing will have on plans generally, and on smaller plans in particular.

Summary of Recommendations

The following is a summary of ASPPA's recommendations. These are described in greater detail in the Discussion of Issues section.

- A. ASPPA recommends that the PBGC, rather than *requiring* e-filing, develop incentives that will result in the majority of filers *voluntarily* submitting their premium information electronically.
- B. If the PBGC decides to move forward with mandatory e-filing, ASPPA recommends that the PBGC take steps designed to minimize any adverse effects of the new requirement on plans and plan professionals, including an exemption for small plans.

Discussion of Issues

A. Encourage *Voluntary E-filing*

Plan administrators and the professionals who assist them have procedures in place to ensure timely and accurate filing of premium information. These procedures, which vary significantly, include mechanisms for coordinating the efforts of the multiple individuals and firms that are typically involved in preparing and submitting a premium filing.

In the vast majority of cases, the premium filing is prepared by the plan's enrolled actuary. This is so even where the PBGC's premium regulations do not require an actuarial certification (*e.g.*, a small plan filing using the Alternative Calculation Method). Under existing procedures, the actuary's involvement ends once the filing has been prepared (and, if required, signed by the actuary) and forwarded to another person or organization (*e.g.*, the plan administrator or a third party administrator who will then coordinate with the plan administrator to complete the actual filing process).

The PBGC's proposal for mandatory e-filing would allow filers to use either of two methods for filing premium information: (1) the existing e-filing application, My Plan Administration Account (MyPAA); or (2) a new method, under development, that is to be integrated with the various private-sector software programs commonly used by actuaries to prepare premium filings. Both of these methods pose problems if e-filing is mandatory.

- *MyPAA e-filings.* For premium e-filings done using MyPAA, data that have been entered into private-sector software would have to be reentered into MyPAA, thereby increasing the cost of the filing. In addition, the filing would need to be electronically approved by the plan administrator, who, especially in the case of a smaller plan, might not have adequate Internet access or be comfortable with technology generally.
- *Private-sector software e-filings.* For e-filings done using private-sector software, the responsibility for submitting the e-filing would, as a practical matter, become that of the actuary using the software. However, the actuary, prior to e-filing, would need to ensure that the plan administrator has reviewed and approved the submission. Although the PBGC plans to permit the plan's actuary (or any other "responsible person") to submit a filing on behalf of the plan administrator based on a paper certification and authorization, the process for obtaining those paper certifications and authorizations would in many cases be time-consuming and raise logistical issues. This is a problem in particular for the many actuaries who service large numbers of premium-paying clients. The resulting costs would ultimately be borne by sponsors maintaining covered plans and, in some cases, by the plans and the participants.

ASPPA recommends that the PBGC, rather than *requiring* e-filing, develop incentives that will result in the majority of filers *voluntarily* submitting their premium information electronically. A good first step—one that the PBGC is in the process of implementing—is to develop a method of e-filing that will be integrated with the private-sector software used by most filers. Other potentially useful incentives include more automated calculations and edit checks; the ability, under the new method of e-filing that will be integrated with

private-sector software, to route the filing among the various members of the filing team; and limited relief from penalties and/or interest for late filings done electronically.

B. Take Steps to Lessen the Adverse Effects of Any *Requirement* For E-Filing

If the PBGC nonetheless decides to require e-filing of premium information, there are several ways in which the PBGC can lessen the adverse effects of the new requirement. ASPPA commends the PBGC for its announced plans to take several such steps, but suggests that additional measures can be taken to reduce the potentially negative impact of mandatory e-filing. For example:

- The PBGC proposal would phase in the requirement over a two-year period, with larger plans (generally, those with 500 or more participants) subject to the requirement starting in 2006 and smaller plans starting in 2007. This schedule may not afford enough time to ensure that the system is operating efficiently. ASPPA is particularly concerned because the premiums from smaller plans are far less significant to the PBGC than those from larger plans, yet the relative costs of complying with the new requirement would be greater for the smaller plans.
- The PBGC expects that the new method to be integrated with private-sector software will be operational in mid-2005. It is important that e-filing not become mandatory unless this new method is operational and field-tested, so as to avoid the need to reenter data manually from private-sector software into MyPAA. The final implementation date of mandatory e-filing should be delayed if the new integrated e-filing method has not been fully operational and adequately tested by such date.
- The PBGC proposal would allow exemptions on a case-by-case basis “for good cause in appropriate circumstances.” However, there is no guidance on what would and would not constitute a valid basis for an exemption. Such guidance would assist those who may be eligible for an exemption in preparing timely and effective requests, and would therefore serve to minimize the PBGC’s workload in evaluating exemption requests.
- The PBGC proposal would permit the plan’s actuary (or any other “responsible person”) to submit a filing on behalf of the plan administrator based on a paper certification and authorization where the responsible person uses the new method that will be integrated with private-sector software. However, no similar procedure has been proposed for MyPAA filings. Not all premium filings are prepared using private-sector software and this would mean that those using MyPAA would be at a disadvantage.
- The PBGC proposal would to give filers both e-payment and paper payment options. It is important that, regardless of the e-filing method used for the submission, the ability to make paper payments be continued, as the plan administrator, rather than the outside consultant, may be responsible for submitting the payment.

ASPPA recommends that the PBGC:

1. Provide for a longer transition to mandatory e-filing by applying the new requirement to plans with 500 or more participants starting in 2007, and to smaller plans with more than 25 participants starting in 2008. However, these dates should be adjusted if the new integrated method of e-filing has not been field-tested and is not fully operational by such dates.
2. Exempt plans with 25 or fewer participants from any mandatory e-filing requirement.
3. Provide guidance on what constitutes a valid basis for an exemption from mandatory e-filing.
4. Permit a “responsible person” to submit a filing on behalf of the plan administrator based on a paper certification and authorization (as the PBGC plans to do under the new method that will be integrated with private-sector software) where a “responsible person” is complying with the e-filing requirement using MyPAA.
5. Structure the system so that where the filer is an outside consultant, the plan administrator, can continue to be responsible for submitting payment, regardless of the e-filing method used.



These comments were prepared by the Defined Benefit Subcommittee of ASPPA's Government Affairs Committee, chaired by David Lipkin, MSPA, and primarily authored by Harold J. Ashner, Esq., APM. Please contact us if you have any comments or questions regarding the matters discussed above. Thank you for your consideration of these comments.

Sincerely,

/s/
Brian H. Graff, Esq. APM
Executive Director

/s/
Teresa T. Bloom, Esq., APM
Chief of Government Affairs

/s/
Ilene H. Ferenczy, Esq., CPC, Co-chair
Gov't Affairs Committee

/s/
George J. Taylor, MSPA, Co-chair
Gov't Affairs Committee

/s/
Sal L. Tripodi, Esq., APM, Co-chair
Gov't Affairs Committee

/s/
Robert M. Richter, Esq., APM, Chair
Administrative Relations Committee