



August 24, 2017

Submitted via email to reg.comments@pbgc.gov and via the Federal eRulemaking Portal: www.regulations.gov

Regulatory Affairs Group
Office of the General Counsel
Pension Benefit Guaranty Corporation
1200 K Street NW
Washington, DC 20005-4026

Dear Sir or Madam,

Subject: Regulatory Planning and Review

Aon welcomes the opportunity to submit comments on regulatory and deregulatory actions the Pension Benefit Guaranty Corporation (PBGC) should undertake. This letter is in response to the specific request for information published in the *Federal Register* on July 26, 2017.

Who We Are

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

Summary Comments

In the past few years, the PBGC has responded to comments to make rules and processes more effective. For instance, changes were made to ERISA Section 4010 reporting to reduce redundant reporting and eliminate several additional calculations. The PBGC has also proposed a missing participant process which would be more efficient and effective. We believe similar modifications in the following areas would help plan sponsors provide more timely information and reduce the burden of various reporting requirements on both plan sponsors and the PBGC:

- Employer Reporting Under ERISA Section 4010
 - Reduce Excessive Financial Information Detail
 - Eliminate Filing Required Due to a Late Acquisition
- Reportable Events Under ERISA Section 4043
 - Eliminate Duplicate Reporting for the Active Participant Reduction
 - Eliminate Reporting of Certain Controlled Group Information
- Standard Plan Terminations Under ERISA Section 4041
 - Reduce the Time and Burden of Plan Audits

Employer Reporting Under ERISA Section 4010

Reduce Excessive Financial Information Detail

Certain employers required to report under ERISA Section 4010 find the detailed information necessary for reporting difficult and burdensome. The financial information specified under regulation Section 4010.9(a) requires audited or unaudited financial information or copies of the most recent federal tax return to be filed for every member of the sponsor's controlled group. This information is not always available separately for each individual member. Regulation Section 4010.9(b) allows consolidated information to be filed; however, individual member information specifying the revenue, operating income, and net assets must be provided for each member even if that member does not sponsor a pension plan. For some plan sponsors, particularly those with complicated controlled group structures, these three pieces of information can be difficult to identify and obtain. It is typically not available in public information to simply refer to. For privately held companies, it can take a tremendous amount of effort to gather this information.

We recommend that the PBGC modify its regulations so that the PBGC will request this information only when the PBGC deems it necessary for a review of the plan and controlled group financials. Requiring every sponsor to provide this information, which is not needed in the vast majority of filings, is unnecessary. Many times, the PBGC collects information relating to a specific concern as determined via the Early Warning Program. Thus, the PBGC has other avenues to gather details it deems important.

Eliminate Filing Required Due to a Late Acquisition

ERISA Section 4010 reporting is required if any plan within the controlled group has a Funding Target Attainment Percentage less than 80%, though a \$15 million waiver and small plan exemption may apply. This determination is made based on plans maintained by the controlled group as of the last day of the information year (generally, the fiscal year).

If a new member of the controlled group with a defined benefit plan is acquired too late in the information year, it may not be possible to fund the plan to avoid reporting under Section 4010. For example, consider a controlled group with a calendar information year that has several plans, all of which are funded greater than 80%. Further assume that the controlled group acquires another company in the fourth quarter, and that the acquired company has a plan that is less than 80% funded. If the acquisition happens after the due date of the final contribution for the prior plan year (e.g., the acquired plan has a calendar plan year and the acquisition occurs after September 15), and the plan does not have a funding balance available to waive to increase the funded percentage, reporting will be required unless all plans are less than \$15 million underfunded in aggregate.

The PBGC should provide a waiver from reporting if the sole reason for reporting is a newly-sponsored pension plan that was acquired after the due date for the final contribution for the plan year preceding the plan year that ends within the information year. This will eliminate a costly, unnecessary filing. Also, a waiver will only delay reporting information if the plan's funding isn't improved. However, if a sponsor wants to avoid reporting, it will encourage funding since a Section 4010 report wasn't previously provided. (That is, the work to file under Section 4010 may be an incentive to fund. Once a filing is made, the incentive to fund has been weakened.) Such a waiver shouldn't be made contingent on any prior reporting as part of the previous controlled group, which may not have been necessary due to a previous controlled group's financial situation.

Reportable Events Under ERISA Section 4043

Eliminate Duplicate Reporting for the Active Participant Reduction

Reporting for an active participant reduction is required in the following situations:

- **Single Cause:** If, on any day of the plan year, the number of active participants is reduced to less than 80% of the number at the beginning of the plan year or less than 75% of the number of active participants at the beginning of the plan year preceding the plan year due to a single cause.
- **Attrition:** If, on the last day of a plan year, the number of active participants at the end of such plan year is less than 80% of the number of active participants at the beginning of such plan year, or less than 75% of the number of active participants at the beginning of the plan year preceding such plan year.

It is possible that one reduction may result in reporting three times. For example, a group of participants is terminated on July 1, 2017 as part of a corporate restructuring and the reduction is 30% of the active participants in the plan as of the beginning of the plan year. This is a reportable event due the single cause event. If no other participants terminate employment, the reduction will also result in an "attrition" event since the year-over-year change in active participants is also more than a 20% reduction. The participants included in the single cause event are not deducted from this calculation. Finally, if the active participant count remains unchanged, the reduction will be reported the following year since it will be more than 25% of the participants from two years prior to the event. Thus, a corporate restructuring results in reporting the same event three separate times.

Currently, there is no exemption or waiver from reporting if the event has already been reported. The PBGC should provide a waiver from reporting if the event reflecting the reduction: (1) has already been considered and was waived (due to the possible reportable event waivers); or (2) was previously reported.

Eliminate Reporting of Certain Controlled Group Information

If a change in controlled group/change in contributing sponsor is required to be reported to the PBGC, financial information about the new controlled group members and the plans maintained by the new controlled group must be provided. Reporting is required within 30 days of the binding agreement for a post event reportable event.

Many times, this information is difficult to obtain in this timeframe. While a binding agreement may exist, a transaction may not have closed and the information may not be shared across controlled groups. It is difficult for the seller in this situation to get information on the entire controlled group of the buyer.

This information should be removed from the information requested on the Form 10. The same is true for the Transfer of Benefit Liabilities event.

Standard Plan Terminations Under ERISA Section 4041

Reduce the Time and Burden of Plan Audits

Currently, if a plan with more than 300 participants terminates in a standard termination, the plan is automatically audited by the PBGC. Smaller plans are audited at random. The audit requires a significant amount of information to be provided to the PBGC. It doesn't start until nearly a year after all benefits have been paid or transferred to an insurance company. Once started, it can take more than a year to complete. The entire process occurs after the plan sponsor has performed the work to terminate a plan, which alone can take a year and a half to complete. In some situations, a plan audit has not been completed nearly three years after the plan termination date.

This audit process needs to be made more efficient and the amount of time the audit is outstanding needs to be reduced. This can be accomplished in the following ways:

- Eliminate the need to reconcile every check paid by the plan from the date of termination to the date of the last check.
- Reduce the number of individual calculations which are reproduced and don't reproduce amounts for retirees or beneficiaries who were already receiving payments since they commenced under the normal rules of the plan.
- Request pay used in the benefit calculation and not source data such as Form W-2 information. Many sponsors maintain separate pension data files and gathering different sources of data for the plan audit can be a considerable effort.
- Review the termination only for the most common errors found upon audit and expand the audit only in situations where significant problems are identified.

We encourage the PBGC to review internal audit processes which could also reduce the time the audit takes and the amount of information reviewed. Alternatively, the PBGC could change the audit criteria and audit plans where they find more common errors which may not necessarily be the largest plans.

Closing

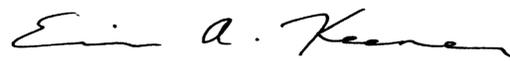
Aon appreciates the opportunity to submit our comments and recommendations regarding regulatory and deregulatory actions the PBGC may wish to undertake. Please contact the undersigned at the telephone number or email address provided below with any questions.

Sincerely,

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