

GAO Highlights

Highlights of [GAO-14-92](#), a report to congressional requesters

Why GAO Did This Study

The private sector pension system in the United States represents trillions of dollars in assets and is a key source of financial security for millions of Americans. To promote transparency and enhance retirement security, legislation and regulations require that plan sponsors provide numerous reports to Labor, IRS, and PBGC, and numerous disclosures to plan participants. GAO was asked to review this system of private sector pension plan reporting and disclosure.

In this report, GAO examined (1) the reports and disclosures pension plans are required to make to government agencies and plan participants; (2) the ways, if any, reports to agencies may be inefficient or ineffective, and (3) the ways, if any, disclosures to participants may be inefficient or ineffective. In conducting this work, GAO reviewed relevant statutes and regulations; analyzed inquiries to Labor's participant help line; assessed certain disclosures for readability when evaluated against criteria based on federal plain language guidelines; and interviewed agency officials, plan sponsor representatives, service providers, and participant advocates.

What GAO Recommends

GAO asks Congress to consider shifting responsibility and necessary resources to Labor for managing the pension benefit data that SSA provides to retirees. GAO also recommends that the agencies improve their online tools on reporting requirements and facilitate better readability of disclosures. In response, the agencies generally agreed with our findings and are taking steps to address the issues we identified.

View [GAO-14-92](#). For more information, contact Charles Jeszeck at (202) 512-7215 or jeszeck@gao.gov.

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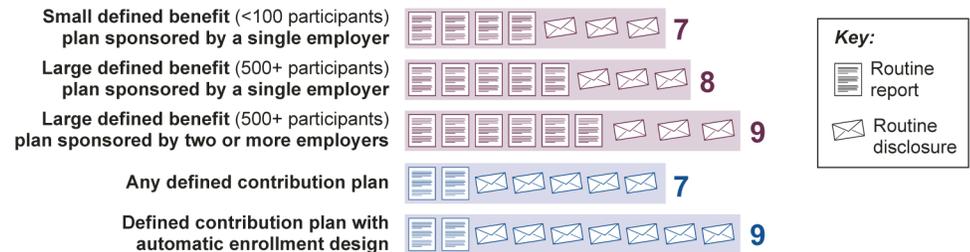
PRIVATE PENSIONS

Clarity of Required Reports and Disclosures Could Be Improved

What GAO Found

Sponsors of private sector pension plans are required to submit various reports to federal agencies and disclosures to participants depending on the plans' type, size, and circumstances. GAO identified more than 130 reports and disclosures stemming from provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Internal Revenue Code, as administered largely by three ERISA agencies: the Department of Labor (Labor), Internal Revenue Service (IRS), and Pension Benefit Guaranty Corporation (PBGC). Although each plan sponsor is required to submit only certain of these reports and disclosures, determining which ones can be challenging and the agencies' online resources to aid plan sponsors with this task are neither comprehensive nor up-to-date.

Number of Routine Reports and Disclosures Required under ERISA Varies Based on Plan Characteristics



Source: GAO analysis of statute and agency information.

Note: Most routine reports and disclosures are required annually. Additional routine and nonroutine reports and disclosures may be required depending on a plan's design and circumstances.

Plan sponsors' reports to the ERISA agencies involve minimal duplication, but the management of data on one report raised concerns. Notices that the Social Security Administration (SSA) sends to retirees listing vested benefits left behind with previous employers can be misleading, because management of the data is fragmented across three agencies and none assumes responsibility for ensuring the data are accurate. Beyond issuing the form and instructions, IRS views its role as merely to pass the data through from sponsors to SSA, SSA views its role as merely to provide retirees with whatever data SSA receives from IRS, and Labor views its role as merely to respond to retirees' inquiries. As a result, the SSA notices can be misleading, listing benefits that have already been paid.

Participant disclosures are numerous and do not always communicate effectively. Various groups GAO interviewed said that participants often find the content overwhelming and confusing. Although certain disclosures are required by law to be written in a manner calculated to be understood by the average plan participant, the three ERISA agencies acknowledged that enforcement of these provisions has not been a priority. Also, GAO found that several model notices that these agencies had developed as templates for sponsors to use in developing their disclosures fell short when evaluated against federal plain language guidelines.