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United States Government Accountability Office
Washington, DC 20548

September 9, 2005

The Honorable John Lewis
Ranking Minority Member
Subcommittee on Oversight
Committee on Ways and Means
House of Representatives

The Honorable Earl Pomeroy
House of Representatives

Subject: *Private Pensions: Questions Concerning the Pension Benefit Guaranty Corporation's Practices Regarding Single-Employer Probable Claims*

The Pension Benefit Guaranty Corporation's (PBGC) single-employer insurance program is a federal program that insures certain benefits of the more than 34 million worker, retiree, and separated vested participants of over 29,000 private sector defined benefit pension plans. In 2003, we placed PBGC's single-employer insurance program on our high-risk list of agencies and programs that need broad-based transformations to address major challenges because of our concerns about the program's long-term viability. In recent years, because of unfavorable economic conditions and the collapse of large underfunded pension plans sponsored by well-known firms like Bethlehem Steel, U.S. Airways, and United Airlines, the program's financial condition has worsened significantly. From a $9.7 billion surplus at the end of fiscal year 2000, the program reported a $23.3 billion deficit as of September 2004, including a $12.1 billion loss for fiscal year 2004. While 73 percent ($16.9 billion) of this deficit is due to PBGC's estimated liability for its probable claims (claims from plans that PBGC deems likely to terminate in the future), historically over 95 percent of claims so classified by the PBGC have subsequently terminated and become direct obligations of the agency.

We are providing answers to several of your questions about single-employer probable claims regarding (1) PBGC's methodology for determining single-employer probable claims, (2) PBGC's efforts to monitor probable claims, and (3) PBGC's practices for disclosing financial information about these claims.

To answer the questions, we reviewed documentation from PBGC on its process for determining, tracking, and monitoring probable claims. We also reviewed PBGC's historical data on these claims and PBGC's public disclosures regarding them, and reviewed documentation about PBGC practices for disclosing such information. We conducted our work from August to September 2005 in accordance with generally accepted government auditing standards. Your questions, along with our responses, follow.

1. *What is PBGC's specific methodology for determining probable claims*?

There are three concurrent steps to PBGC's process for determining single-employer probable claims:

(1) identifying underfunded defined benefit plans insured by PBGC,

(2) classifying underfunded plans as to the probability of a loss to PBGC, and

(3) estimating the potential loss to PBGC.

The first step in determining probables is to identify underfunded insured plans. To accomplish this, PBGC relies on information from Section 4010 filings,[1] reportable event and distress termination filings,[2] credit ratings, and other sources. **Section 4010 filings** provide PBGC with actuarial information on underfunded plans and financial information for companies with aggregate unfunded vested liability (calculated using PBGC variable rate premium assumptions) exceeding $50 million. The major types of **reportable events filings** that PBGC uses to identify underfunded plans include the inability of a plan to pay participants the benefits due them in the form prescribed by the plan, bankruptcy or insolvency proceedings, liquidation proceedings or the dissolving of the plan sponsor, and a plan failing to meet the minimum funding standards. PBGC is notified of reportable events affecting approximately 300 plans per year. On average, 200 of these cases undergo standard terminations or continue without termination, resulting in PBGC not taking over the plan.[3] The remaining 100 plans eventually become **distress terminations** or involuntary terminations---the termination of an underfunded plan.[4] Additionally, voluntary distress termination filings alert PBGC to plan sponsors who wish to terminate their underfunded plans.

PBGC also uses **credit ratings** in its process to identify and classify underfunded plans. These ratings provide an assessment of a plan sponsor's credit quality, which includes the ability of a company to meet its financial obligations. PBGC seeks information as to whether a company's bonds are investment-grade or below investment-grade.[5] PBGC uses Moody's ratings, Standard and Poor's (S&P) ratings, and other financial criteria to make their determinations. If there is no rating, PBGC staff determines an implied rating as to whether a plan sponsor's bond would be rated as investment grade or not based upon an

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[1]Section 4010 of the Employee Retirement Income Security Act (ERISA) requires the reporting of plan actuarial and company financial information by employers with plans that have aggregate unfunded vested benefits in excess of $50 million, missed required contributions in excess of $1 million, or outstanding minimum funding waivers in excess of $1 million. The information required to be filed includes (1) plan identifying information, (2) actuarial information regarding the plan's fair market value of assets and the value of benefit liabilities on a PBGC termination liability basis, and (3) financial information, such as financial statements.

[2]At least one of the following criteria must be met in order for PBGC to approve a distress termination filing: (1) liquidation in bankruptcy (Chapter 7) or insolvency proceedings; (2) reorganization in bankruptcy (Chapter 11); (3) a company will be unable to continue to stay in business unless its plan is terminated; and (4) unreasonable, burdensome pension costs caused solely by a decline in workforce.

[3]The termination of a fully funded defined benefit plan is called a standard termination.

[4]PBGC may initiate involuntary terminations for several reasons, including if PBGC's loss from that plan may be expected to increase unreasonably if the plan is not terminated. See 29 U.S.C. 1342(a).

[5]The term "investment grade" was originally used by various regulatory bodies to connote obligations eligible for investment by institutions such as banks, insurance companies, and savings and loan associations. Over time, this term gained widespread usage throughout the investment community. Ratings in the four highest categories, AAA, AA, A, and BBB, generally are recognized as being investment grade. Below investment grade is considered to be either Moody's Ba1 or lower or S&P BB+ or lower.

evaluation of financial statement information included in 4010 filings and other available financial information.[6] If the rating agencies give the company different ratings, (one agency rates a company below investment grade while the other rates the company investment grade), PBGC will use the lower of the ratings based on the conservatism principle of the Generally Accepted Accounting Principles (GAAP).[7]

Finally, PBGC relies on several **other sources** of information. For example, to identify potentially underfunded plans sponsored by privately held companies, PBGC uses data from premium filings submitted by the plan sponsors. In addition, PBGC monitors news sources (e.g., Bloomberg, LiveEdgar, and NewsEdge) to identify transactions that could adversely affect plan funding status, and ultimately, PBGC.

As underfunded plans are identified, PBGC classifies each plan as to the probability of a loss to PBGC. Plans are classified as "remote-other," "remote," "reasonably possible," or "probable" according to criteria that PBGC has determined meets the requirements of the Statement of Financial Accounting Standards No. 5 *Accounting for Contingencies* (FAS No. 5), which establishes standards for accounting and reporting for loss contingencies:

- Plans are classified as **remote-other** if there is no available information with which to make a reasonable assessment of financial conditions.
- Plans are categorized as **remote** if the plan sponsor's bonds are rated investment grade by both Moody's and S&P or PBGC has assessed the plan sponsor as investment grade.
- Plans are classified as **reasonably possible** if they have over $50 million in aggregate underfunding, the plan sponsor's bonds are below investment grade, have applied for a minimum funding wavier with the Internal Revenue Service, have missed a minimum funding contribution, or are in reorganization under Title 11 of the United States Code.

In order for PBGC to classify a plan as **probable**, a plan must meet, as of the financial statement date, at least one of the seven criteria PBGC uses, five of which it characterizes as objective, and two as subjective. Objective criteria are used where substantial evidence exists to indicate that the plan sponsor is in liquidation or insolvency proceedings or will meet the requirements for a distress or involuntary termination. Subjective criteria involve management judgment. According to PBGC, subjective criteria must typically be used when most plans meet the criteria for recognition under FAS No. 5 of GAAP while in or close to reorganization under Chapter 11 bankruptcy. Table 1 shows the different applications of the objective and subjective criteria used to classify plans as probable.

[6]The implied rating is completed twice a year.

[7]The conservatism principle is the accounting principle that guides accountants to select the less optimistic estimate when two estimates of amounts to be received or paid are about equally likely.

Table 1: List of Probable Classification Criteria

Type of Criteria	Description of Criteria
Objective	The plan's contributing sponsor(s) is in liquidation under Title 11 of the United States Code or comparable state insolvency proceeding.
Objective	PBGC has received a distress termination filing, and substantial evidence exists that the requirement for a distress termination are likely to be met.
Objective	PBGC has been informed that a distress termination will be filed, and substantial evidence exists that the requirements for a distress termination are likely to be met.
Objective	PBGC has advised the plan administrator that a distress termination should be filed, and substantial evidence exists that the requirements for a distress termination are likely to be met.
Objective	PBGC is considering or is expected to consider the plan for an involuntary termination, and substantial evidence exist that the requirements for an involuntary termination are likely to be met.
Subjective	The plan was classified as reasonably possible and it was determined that the plan is a very high risk plan that should be classified as probable.
Subjective	Plans can be classified as probable if any other set of circumstances exist that in PBGC's judgment constitute a probable termination.

Source: GAO analysis of PBGC data.

In fiscal year 2004, PBGC classified 45 plans as probable; 29 of these were based strictly on objective criteria and accounted for almost $1 billion in probable claims. The remaining 16 required consideration of subjective criteria, representing nearly $16 billion in probable claims.

Once a plan is classified as probable, PBGC begins to estimate the probable losses and does so according to GAAP and FAS No. 5 standards. To calculate the fiscal year--end financial statement assets and liabilities for probable plans, PBGC uses an automated system known as the Integrated Present Value of Future Benefits (IPVFB) system. Plan information, such as Form 5500 filings, asset statements, annuity purchases, contributions, and estimated dates of plan termination are entered into the IPVFB system in order to calculate asset and liability amounts as of the date of plan termination and fiscal year end. This process adjusts the liabilities from the plan's assumptions (mortality, interest, and expected retirement age) to standard assumptions used by PBGC. This system then produces a report that provides PBGC staff with information on how the assets and liabilities are brought forward, from the Actuarial Valuation Report date to the date of the financial statements. To meet the requirements of FAS No. 5, PBGC accrues its net probable claims in its financial statements.

PBGC stated its exposure for probable claims in accordance with FAS No. 5 as required by GAAP. Directed at the accounting objective of full disclosure, this standard requires the PBGC to record a loss if it is likely to occur and the amount of the loss can be reasonably estimated. PBGC's financial statement auditors routinely review this area and its compliance with GAAP requirements as part of their annual audit. PBGC has consistently used a method of specifically identifying potential claims supplemented by estimates for additional claims that might be missed by its method for selecting probable claims.

2. *The description of PBGC's method for selecting plans that are probable changed from 2003 to 2004. Does this reflect a change in methodology for selecting plans in the past decade? Why does PBGC not disclose the effects of the changes in methodology on the amount of probable claims? What was the effect of the most recent changes?*

According to PBGC officials, the 2004 Annual Report expanded the footnote disclosure describing PBGC's method for selecting probable plans but stressed that this did not reflect a change in methodology.[8] PBGC officials stated that the 2004 report was intended to provide a more explicit description of the specific criteria PBGC uses. These officials also emphasized that PBGC has consistently used a specific identification method as required by FAS No. 5 for its identification of probables.

While PBGC did not change its methodology or criteria for determining probable terminations in fiscal year 2004, it did make revisions to the way it calculates reserves for unidentified probable losses. PBGC stated that this was done in response to a PBGC Office of Inspector General recommendation arising from the PricewaterhouseCooper's audit of PBGC's 2003 financial statements. The recommendation stated that PBGC should "reevaluate the methods by which PBGC calculates its reserves." As a result, PBGC initiated a study to determine how its reserve calculations could be improved, and implemented improvements and expanded disclosures for fiscal year 2004. We did not receive information on the effect of this revision for calculating reserves for unidentified probable losses. However, PBGC stated that it is preparing such an analysis, and noted that its estimate for unidentified probable losses over the 2 year period, both before and after the revision, constituted less than 4 percent of the total probables estimate.[9]

3. *What controls does PBGC have in place to ensure that current methodologies for selecting probable claims are sufficiently like prior procedures?*

PBGC officials stated that they have not made any changes to PBGC's method for selecting probable claims. If PBGC were to make changes to its procedures or methodologies, these officials told us that they would use a multifaceted approach to review and consider those changes. PBGC regularly monitors, reclassifies, and revalues estimates of exposure on all at-risk plans. Any changes proposed would go through PBGC's internal review process, which includes a review and concurrence by PBGC's Contingency Working Group and Chief Financial Officer.

PBGC officials stated that if a change in methodology were to occur, they would disclose the effect of such methodology changes in accordance with GAAP. In addition, any necessary restatements of prior year amounts would be made, including appropriate disclosures describing the effect in the notes to the financial statements.

4. *How do probable claims progress? What is the average duration, in years, of a claim on the probable claims list? What is the distribution of probable claims by year added?*

Probable claims can progress in a number of ways after a plan is initially added to the list, which is updated three times a year. At each update, a plan can remain on the list, be removed from the list because of termination, or be deleted from the list if an upgrade in classification is warranted based on a

[8]PBGC's 2004 Annual Report, Washington D.C. 20005

[9]The reserves represented $0.4 billion of the $16.9 billion in net probable claims for fiscal year 2004 and $0.2 billion of the $5.2 billion in net probable claims for fiscal year 2003. The reserves are comprised of a reserve for large unidentified probable losses and a reserve for small unidentified probable losses. According to the 2004 Annual Report, the current method for estimating the reserve for large unidentified probable losses is recorded based on sound, actuarial methodologies that consider actual PBGC experience, as well as the historical industry bond default rates. This reserve has been developed by segregating plan sponsors with aggregate underfunding equal to or greater than $5 million into risk bands, which reflect their level of credit risk. Another reserve for small unidentified probable losses, that is, plans with less than $5 million in underfunding, and incurred but not reported claims, is also recorded based on a commonly-accepted actuarial methodology, called triangulation.

settlement with the sponsor to fund and retain the plan or termination risk is otherwise reduced.[10] If the plan does not terminate, and PBGC continues to consider the plan as probable, the plan remains on the list. If a plan is progressing toward termination, PBGC closely monitors the bankruptcy proceedings (if the sponsor is in bankruptcy) for PBGC claims determinations and also monitors the criteria for distress termination and PBGC-initiated termination. If the plan terminates, PBGC removes the plan from its list of probable claims and adjusts the previously recorded loss to reflect the actual loss on the date of plan terminations.

The majority of plans spend less than a year on PBGC's probable claims list. Between 1995 and 2004, PBGC added 223 plans to its probable claims list. As of September 30, 2004, 171 of these plans were removed from the list within 1 year after they were added for various reasons, including termination and deletion. Of those plans not removed from the list in the year added, the majority of plans spend only 1 additional year on the list. As shown in table 2, of the 223 plans added to PBGC's list, 52 of these plans were on PBGC's list 1 year later, 15 of these plans were on PBGC's list 2 years later, and only 3 plans were on PBGC's list 3 years later. Only 3 plans have been PBGC's list 4 years or longer.

Table 2: Duration of Plans Newly Classified as Probable from Fiscal Years 1995-2004

Fiscal Year	Plans Added to Probables List	Plans on List 1 Year Later	Plans on List 2 Years Later	Plans on List 3 Years Later	Plans on List 4 Years Later	Plans on List 5 Years Later	Plans on List 6 Years Later	Number of Plans Still on List
1995	15	8	3	3	3	2	2	-
1996	16	6	3	0	0	0	0	-
1997	12	3	1	0	0	0	0	-
1998	15	5	2	0	0	0	0	-
1999	14	3	3	0	0	0	-	-
2000	1	0	0	0	0	-	-	-
2001	16	3	1	0	-	-	-	-
2002	38	15	2	-	-	-	-	2
2003	62	9	-	-	-	-	-	9
2004	34	-	-	-	-	-	-	34
Totals	**223**	**52**	**15**	**3**	**3**	**2**	**2**	**45**

Source: PBGC.

* Includes probables balance at 9/30/1994 of $1,166 million and the net change to large unidentified and small unidentified reserves during the ten year period of $184 million.

Of the 223 plans added to PBGC's probable list since fiscal year 1995, 187 were either terminated or deleted from the list by September 30, 2004—45 plans remain on the list, only 11 of which were added prior to fiscal year 2004. As shown in table 3, of the 223 plans, 136 were eventually terminated, and 42 were deleted for reasons other than termination, representing a $10,536 million loss to PBGC for terminated plans and $718 million was reversed for deleted plans. For example, 5 plans of one financially troubled company were included as probables in FY 2003. Through negotiations, the company subsequently agreed to continue to fund 4 of the plans and terminate only 1. As a result all five plans

[10]Plans may be reclassified as reasonably possible or remote, in which case they would be deleted from PBGC's probable list.

were removed from the probables list--one through termination and four by moving to the reasonably possible list.

Table 3: Duration of Plans Classified as Probable from Fiscal Years 1995-2004

Fiscal Year	Plans Added to Probables List	Number of Plans Eventually Terminated	Number of Plans Eventually Deleted	Number of Plans Still on List
1995	15	11	4	-
1996	16	9	7	-
1997	12	8	4	-
1998	15	11	4	-
1999	14	10	4	-
2000	1	1	0	-
2001	16	16	0	-
2002	38	26	10	2
2003	62	44	9	9
2004	34	-	-	34
Totals	**223**	**136**	**42**	**45**
Total Dollars (in millions)	**$28,180***	**$10,536**	**$718**	**$16,926**

Source: PBGC

Note: includes probables balance at 9/30/1994 of $1,186 million and the net change to large unidentified and small unidentified reserves during the ten year period of $184 million.

As shown in table 4, from fiscal year 1995 to 2004, PBGC had up to 19 plans remain on its probable claims list from a previous year. The distribution of plans added to PBGC's probable claims list varied during that time from 1 plan to as many as 62 plans added to the list in a given year. Since fiscal year 2002, the number of plans added to the probable claims list each year has more than doubled the average from the previous years of 1995 through 2001.

Table 4: Plans Newly Classified as Probable and Total Plans Classified as Probable from Fiscal Years 1995-2004

Fiscal Year	Plans Remaining on Probables List from Previous Year	Plans Newly Added to Probables List	Total Number of Plans on Probables List
1995	19	15	34
1996	11	16	27
1997	11	12	23
1998	11	15	26
1999	11	14	25
2000	9	1	10
2001	5	16	21
2002	3	38	41
2003	16	62	78
2004	11	34	45

Source: PBGC

PBGC cites the deteriorating financial position of a number of PBGC-insured plans and the companies that sponsor them as a primary reason for the increase in claims for probable terminations. GAO has previously reported on this and other structural problems facing PBGC's single-employer program.[11] Risks that threaten the long-term viability of the program include: a general downturn in economic conditions resulting in recent deficits, a concentration of plan underfunding in financially challenged industries as well as a premium structure that does not adequately reflect risk. In addition, the current funding rules and other pension regulations have not kept some plans from becoming severely underfunded and subsequently terminating with large claims placed on the PBGC.

5. *When PBGC takes over a plan, it typically issues a press release discussing the liability PBGC expects to incur. Often media sources appear to indicate that the entire amount represents a worsening of PBGC's financial condition. Why does PBGC not disclose in its press releases the amount of the liability that the PBGC had already booked*?

According to PBGC officials, the agency does not release the amount of its previously-booked claims in its press releases for fear of compromising PBGC's position in litigation and of negatively affecting a company's financial condition. These officials said that releasing its previously-booked claim amounts would enable someone to make a comparison between PBGC's booked liability for a particular plan and the amount of underfunding for that plan. Publicizing this information could affect PBGC's ability to recover the full amount of a plan's claims in litigation because companies would resist a settlement with PBGC for more than the amount of PBGC's previously-booked losses. Another consideration is that this information could also have a negative impact on a company's ability to obtain additional financing and could worsen its financial condition. Although releasing this information to the public would help interested parties understand the potential impact, if any, on PBGC's net financial position with regard to particular plans mentioned in PBGC's press releases, officials believe that the potential adverse impact on PBGC and affected companies has outweighed this potential benefit. PBGC officials have stated that they are reviewing this policy.

6. *For each plan that PBGC took over and discussed in a press release during 2004 and 2005, what was the liability that PBGC announced and how much of that liability had already been booked*?

During fiscal years 2004 and 2005, PBGC issued press releases for several large financially troubled pension plans that it had taken over. As shown in table 5, the liability amounts listed in PBGC's press releases differ from the amounts of its previously-booked claims. PBGC officials said that the difference in the amounts of their previously-booked claims and the claim amounts listed in their press releases reflects the preliminary nature of the data used to determine their booked losses and the assumptions used to value liabilities at that time.[12] Once the final data are available, PBGC officials stated they recalculate the plan's liability amounts and make the proper adjustments to reflect the actual loss incurred at the date of plan terminations. From fiscal years 2004 and 2005, in all but three cases, PBGC's previously-booked claim amounts for plans exceeded the claim amounts listed in the press releases that PBGC issued when it took over a plan.

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[11]See GAO, *Pension Benefit Guaranty Corporation: Single-Employer Pension Insurance Program Faces Significant Long-Term Risks*, GAO-04-90 (Washington, D.C.: Oct. 29, 2003); *Private Pensions: Recent Experiences of Large Defined Benefit Plans Illustrate Weaknesses in Funding Rules*, GAO-05-294 (Washington, D.C.: May 31, 2005); *Private Pensions: Revision of Defined Benefit Pension Plan Funding Rules Is an Essential Component of Comprehensive Pension Reform*, GAO-05-794T (Washington, D.C.: June 7, 2005); and *Private Pensions: The Pension Benefit Guaranty Corporation and Long-Term Budgetary Challenges*, GAO-05-772T (Washington, D.C.: June 9, 2005).

[12]PBGC officials noted that the net claim amount previously booked will be adjusted in future accounting periods based on new information (e.g., plan asset data or participant data)

Table 5: Comparison of PBGC's Expected Claims and Claims Announced in its Press Releases

(Dollars in millions)

Plan Name	Amount of Claims	Claims Amount in Press Release
Fiscal Year 2005 (as of June 30, 2005)		
Penn Traffic Co.	$136	$125
United Airlines Ground Employees	$2,571	$2,100
United Airlines Pilots Pension Plan	$1,437	$1,400
US Airways Inc.	$2,174	$2,300
Fiscal Year 2004		
Cone Mills Corp.	$27	$43
Fansteel Inc.	$23	$19
Fleming Companies Inc.	$348	$358
Fruehauf Trailer Corp. Pensions	$14	$7
Horizon Natural Resources Co.	$87	$75
Ingersoll International Inc.	$64	$48
JA Jones Inc.	$112	$104
Kaiser Aluminum Inactive Pension Plan	$56	$47
Kaiser Aluminum Pension Plan	$296	$262
Lumbermens Mutual	$565	$529
Piccadilly Cafeterias Inc.	$65	$51
Sound Shore Medical Center of Westchester	$45	$38
Top-Flite Golf Co.	$39	$30

Source: GAO analysis of PBGC data.

Note: This table includes claims information regarding only those plans that PBGC has both issued a press release for and has previously-booked an expected claim amount for during fiscal years 2004 and 2005.

Agency Comments

We provided a draft of this report to the Pension Benefit Guaranty Corporation, the Department of Labor (DOL), and the Department of Treasury (Treasury) for review and comment. We received written comments from PBGC that are reprinted in the enclosure. As stated in our report, PBGC's letter emphasized that PBGC follows FAS No. 5. In addition, PBGC's letter emphasized that its financial statement auditors have regularly issued opinions stating that PBGC practices are in accordance with GAAP. PBGC also provided technical comments on the draft, which we incorporated as appropriate. DOL and Treasury did not provide any comments on the draft.

If you have any questions concerning this letter, please contact me at (202) 512-7215 or Tamara Cross, Assistant Director at (202) 512-4890. Joseph Applebaum, Diana Brauner, David Eisenstadt, Charles Ford, Mark Glickman, Raun Lazier, and Roger Thomas also made major contributions to this correspondence.

Barbara D. Bovbjerg

Barbara D. Bovbjerg
Director, Education, Workforce,
and Income Security Issues

Enclosure

Comments From the Pension Benefit Guaranty Corporation

PBGC
Protecting America's Pensions
Pension Benefit Guaranty Corporation
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Office of the Executive Director

SEP - 8 2005

Barbara D. Bovbjerg
Director, Education, Workforce
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U. S. Government Accountability Office
Washington, D.C. 20548

Dear Ms. Bovbjerg:

Thank you for affording the Pension Benefit Guaranty Corporation the opportunity to comment on the draft copy of your letter on the subject, "Private Pensions: Questions Concerning the Pension Benefit Guaranty Corporation's Practices Regarding Single-Employer Probable Claims." While technical comments will be forwarded to your staff electronically, under separate cover, this letter provides PBGC's formal comments.

As your report indicates, PBGC has consistently used the specific identification methodology combined with smaller reserves for probable claims that the specific identification method might miss to meet its disclosure and reporting requirements under Generally Accepted Accounting Principles (GAAP). Specifically, the PBGC follows Statement of Financial Accounting Standards No. 5 (FAS No. 5), Accounting for Contingencies, as promulgated by the Financial Accounting Standards Board, that requires PBGC to record a loss if it is likely to occur and the amount of the loss can be reasonably estimated. PBGC's financial statement auditors have regularly reviewed this area and have regularly issued unqualified financial statement opinions providing assurances that PBGC's reporting and disclosures practices are and have been in accordance with GAAP.

Moreover, PBGC has been subject to external audits over a longer period than other government agencies, and for Fiscal Year 2004, the Corporation received its 12th consecutive unqualified opinion on its financial statements.

Again, we appreciate the opportunity to comment and look forward to working with GAO in the future as we address the critical issues facing America's pension insurance program.

Sincerely,

James C. Gerber

James C. Gerber
Chief Financial Officer

(130519)