



Highlights of [GAO-08-871](#), a report to congressional requesters

Why GAO Did This Study

The Pension Benefit Guaranty Corporation (PBGC) insures the pensions of more than 44 million workers in over 30,000 employer-sponsored defined benefit pension plans. In response to growing workloads, PBGC has come to rely heavily on contractors to conduct its work. GAO was asked to report on (1) the role that contracting plays in PBGC's efforts to accomplish its mission, (2) the steps PBGC has taken to improve its acquisition infrastructure and develop a strategic approach to guide its contracting activities, and (3) the steps PBGC has taken to improve its contract oversight processes to ensure accountability.

To address these issues, we interviewed PBGC officials and selected contractors, reviewed data on PBGC's contracting activities; identified changes PBGC is making to contracting procedures; and identified strategies PBGC uses to monitor contracts.

What GAO Recommends

GAO recommends that PBGC revise its strategic plan to reflect the importance of contracting and to project its vision of future contractor use; and include the Procurement Department in agency-wide strategic planning. In response, PBGC agreed with most of our recommendations, but disagreed with incorporating more detail in its strategic planning documents, as it believes its recently issued strategic plan is sufficiently comprehensive. However, PBGC's plan mentions contracting only briefly and does not reflect the important role contracting plays in achieving its mission.

To view the full product, including the scope and methodology, click on [GAO-08-871](#). For more information, contact Barbara Bovbjerg at 202-512-7215 or bovbjerg@gao.gov.

PENSION BENEFIT GUARANTY CORPORATION

Some Steps Have Been Taken to Improve Contracting, but a More Strategic Approach Is Needed

What GAO Found

Contracting plays a central role in helping PBGC achieve its mission and address unpredictable workloads. Since the mid-1980s, PBGC has had contracts covering a wide range of services, including the administration of terminated plans, payment of benefits, customer communication, legal assistance, document management, and information technology. PBGC's workforce currently consists of about 800 federal employees and utilizes the services of about 1,500 contract employees. From fiscal year 2000 through 2007, PBGC's contract spending increased steadily along with its overall budget and workload, and its use of contract employees has outpaced its hiring of federal employees. As its workloads have grown due to a significant number of large pension plan terminations, PBGC has relied on contractors to supplement its workforce, acknowledging that it has difficulty anticipating its workloads due to unpredictable economic conditions.

PBGC is taking steps to improve its acquisition infrastructure, but the Procurement Department is not yet part of PBGC's strategic decision-making process. In 2007, PBGC began to take steps to realign its Procurement Department, update contracting policies and processes, upgrade the skills of Procurement Department staff, and better track contracting data. PBGC's efforts begin to provide an improved foundation for the contracting function; however, these efforts are early steps and more remains to be done. PBGC has not fully integrated its contracting function at the corporate level; the Procurement Department is not included in corporate-level strategic planning and does not have a presence on PBGC's relevant strategic teams.

PBGC has made improvements to contractor oversight and has begun to implement performance-based contracting that offers the potential for better contract outcomes, but also creates new challenges for contract oversight and monitoring efforts. PBGC has implemented new contract monitoring activities, improved oversight activities for some of its major contracts, and developed comprehensive procedures to direct contracting activities. For its field benefit administration office contracts, PBGC developed performance measures and scorecards, providing feedback about contractor performance in terms of timeliness and accuracy of benefit payments. Despite these improvements, most of PBGC's current contracts still lack performance incentives and methods to hold contractors accountable. PBGC recently began awarding more performance-based contracts, as a means to achieve better outcomes. Although performance-based contracting is recognized as a viable way toward getting better results from contractors, GAO and others have identified common challenges agencies face when implementing this approach—from deciding which contracts are appropriate for a performance-based approach to deciding which outcomes to measure and emphasize. PBGC procurement officials recognize the benefits and challenges of performance-based contracting, and that they must provide additional oversight of contracts and a different approach to contract monitoring that focuses on outcomes rather than processes.