



Highlights of [GAO-03-301](#), a report to the Ranking Minority Member of the Special Committee on Aging, United States Senate

Why GAO Did This Study

Concerned about the increasing proportion of the Pension Benefit Guaranty Corporation's (PBGC) operational and administrative budget that is outside the annual administrative expense limitation, the Ranking Minority Member of the Senate Special Committee on Aging asked GAO to review PBGC's (1) application of the limitations set forth in its appropriations in developing its budget estimates and (2) methodology for allocating and reporting its operational and administrative expenses falling under the statutory limitation.

What GAO Recommends

Congress may wish to review whether or to what extent to continue including an administrative expense limitation in annual appropriation acts as an oversight tool. GAO is making recommendations to PBGC aimed at developing cost information to assist Congress in its oversight of PBGC's activities and for congressional decision making about whether and to what extent it should continue to use an expense limitation in its oversight of PBGC. PBGC stated that its budget structure must change; however, its proposed revisions would not specifically address GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-301.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Jeanette Franzel at (202)512-9406 or at franzelj@gao.gov.

PENSION BENEFIT GUARANTY CORPORATION

Statutory Limitation on Administrative Expenses Does Not Provide Meaningful Control

What GAO Found

As part of PBGC's fiscal year 1985 appropriation, Congress limited the amount of PBGC's appropriated revolving funds available for "administrative expenses." In later years, PBGC requested and Congress approved certain types of expenses to be excluded from the administrative expense limitation. PBGC requested the exclusions in order to gain flexibility in dealing with several major pension plan terminations. The exclusions, combined with PBGC's application of the limitation, have resulted in only 5 percent of PBGC's administrative and operational expenses being included in the limitation for fiscal year 2002. GAO found significant problems with the way PBGC develops its proposed budget estimates for activities covered by its administrative expense limitation. PBGC does not have a reliable basis for estimating its administrative expenses subject to the legislative limitation. As a result, PBGC's estimates for its activities covered by the limitation are not meaningful and thus are ineffective in controlling administrative costs.

In addition, PBGC does not have a meaningful basis for reporting adherence to the limitation, since it does not accumulate and allocate actual expenses for activities subject to the limitation. PBGC uses its budgeted amount for the administrative expenses limitation as a basis for allocating and reporting actual costs for those activities. This amounts to force fitting reported expenses so that they equal or come close to the budgeted amount for the limitation, and accordingly, does not provide reliable cost data related to actual activities or a meaningful basis for reporting and tracking compliance with the limitation.

Percentage of PBGC's Operational and Administrative Expenses Subject to Limitation, Fiscal Years 1985-2002

