

OUTCOME
GOAL 2.2 -
PROTECT
WORKER
BENEFITS

One Stop Center staff member assists customer in processing claim for unemployment benefits.

Photo by: Michael Carpenter



Overview

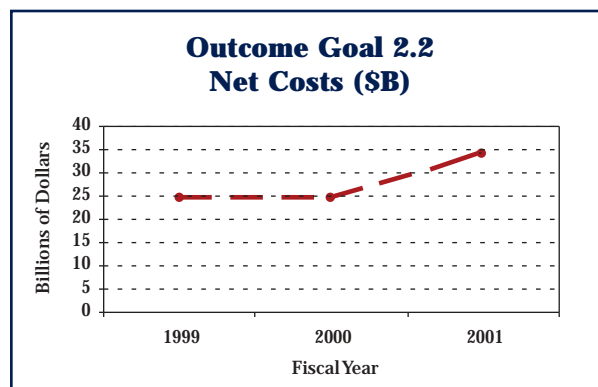
DOL improves the economic security of America's working families through the administration of benefit programs dealing with unemployment insurance, expansion of private pension coverage, protection of Federal workers from the effects of work-related injuries, payment of locally prevailing wages on Federal construction projects, and timely and uninterrupted payment of pension benefits.

Serving the Public

DOL's longstanding role in protecting worker benefits arose in response to specific concerns about the well-being of American workers and their families. The Department's Employment and Training Administration, Pension and Welfare Benefits Administration, Employment Standards Administration, and Pension Benefit Guaranty Corporation administer DOL programs that safeguard the economic security of the Nation's workers and retirees.

- The Social Security Act of 1935 authorized the creation of the Unemployment Insurance program to alleviate personal hardship due to involuntary unemployment and to stabilize the economy.
- In 1963, over 4,000 workers with vested pension rights lost some or all of their pensions when Studebaker stopped producing automobiles and closed its plants. This experience and similar stories of losses in the private pension system became the impetus for pension reform through the Employee Retirement Income Security Act of 1974. Under this legislation, the retirement incomes of about 43 million American workers — one of every three working persons — is currently insured.

- The Federal Employees' Compensation program has been protecting Federal workers from the effects of work-related injuries since President Wilson signed the first comprehensive law in 1916 to minimize the human, social and financial costs of job-related injuries.
- The Davis-Bacon Act ensures that Federal contracting practices do not undercut workers' wages in local communities and do not place local contractors and workers in an unfair competitive situation.
- The Health Insurance Portability and Accountability Act of 1996 made health care coverage more portable and secure for employees and gave the Department broad additional responsibilities with respect to private health plans.
- The Newborns' and Mothers' Health Protection Act of 1996 established minimum requirements for hospital stays relating to childbirth.
- The Mental Health Parity Act of 1996 established certain minimum requirements relating to mental health coverage.
- The Women's Health and Cancer Rights Act provided new protections for patients who elect breast reconstruction in connection with a mastectomy.



Program Costs

Outcome Goal 2.2, with net costs of \$33.8 billion in FY 2001, represents 95 percent of the costs dedicated to achieving A Secure Workforce and 80 percent of all DOL net costs. Unemployment insurance accounts for the bulk of expenses, with \$27.9 billion paid in unemployment claims in FY 2001, and the sharp increase in costs from FY 2000 is largely attributable to the rise in the number of unemployed workers during the past year.

DOL Challenges for the Future

The protection of employee benefits is vital to the future of both America's workers and the National economy. Most recently, the combination of a cyclical downturn in the economy and the ripple effect of the terrorist acts of September 11 has left over two million more workers unemployed in October 2001 than a year earlier. These recent events serve to underscore the need for strong systems to provide timely temporary income support to sustain eligible workers and their families, and to help connect job seekers with job openings.

Longer-term challenges to be addressed in this new century can be seen in the demographics of the workforce. Americans will live and work longer and require pension and health care benefits for longer periods of time. The worker who spends an entire career with one company is now the exception rather than the rule. DOL anticipates an even greater emphasis in the future on pension and health care benefits that provide the flexibility, portability, and coverage that American workers deserve.

PAY UNEMPLOYMENT INSURANCE CLAIMS FAIRLY AND PROMPTLY

Unemployed workers receive fair Unemployment Insurance benefit eligibility determinations and timely benefit payments:

- **Increase to 26 the number of States meeting or exceeding the minimum performance criterion for benefit adjudication quality.**
- **Increase to 48 the number of States meeting or exceeding the Secretary's Standard (minimum performance criterion) for intrastate payment timeliness.**

Results: The goal was not achieved.

- Twenty-five States met the quality performance criterion that 75 percent of claims resolved through formal adjudication have high quality scores against a target of 26 States. This indicator was substantially achieved.
- Forty-two States achieved the timeliness standard by issuing 87 percent of first payments within three weeks, against a target of 48 States. Since 47 States achieved the timeliness standard in FY 2000 and the goal was to increase the number of States meeting the Secretary's Standard in FY 2001, this indicator was not achieved.

Program Description: By temporarily replacing part of lost wage income, the Federal-State Unemployment Insurance (UI) program alleviates personal and family hardship due to unemployment and stabilizes the economy during economic downturns. DOL and its State partners established criteria as a means of judging whether eligibility for benefits was determined fairly and whether workers received their UI benefits as soon as possible.

Analysis of Results: Analysis showed that three factors affected performance outcomes overall:

1. Economic activity turned down sharply, especially at the end of the year. This downturn increased claims workloads and contributed to reduced payment timeliness;
2. State law, policy and management priorities affected goals' performance in various ways. For example, several States which performed below criteria were in the process of implementing remote claims-taking systems, which in the past has often been associated with temporary declines in quality and timeliness; and
3. Less than full administrative funding may have affected both quality and timeliness.

In FY 2001, the States continued to show progress toward improving the quality of adjudicated benefit determinations. In July 1999, DOL and its State partners set a criterion, to take effect in FY 2002, that 75 percent of eligibility determination cases reviewed must have a passing score for a State to be minimally successful. In view of implementation of a more rigorous review process and States' performance under it, as well as States' focus on customer-service improvements such as telephone claims-taking, DOL realized that many States would not meet the criterion until 2002 or later. The goal for FY 2001 was for 26 States to achieve the standard, and 25 succeeded. (See chart below.) Three others were very close, with between 74.1 percent and 74.9 percent of cases having a quality score.

The number of States meeting the first payment timeliness standard for intrastate payments declined from last year (see chart below). Of the 11 States missing the criterion in 2001, eight had met the criterion in 2000. A combination of factors seems to have affected their performance: faster than

average growth in claims (their claims were 31 percent higher than last year's, versus the national average of 26 percent); three transitioned to taking initial claims by telephone, which in some other States temporarily reduced first-payment timeliness; one State was completely reorganizing its Labor Department; and three very small States had fewer resources to deploy to handle rapidly rising claim loads. DOL expects that corrective action planning—required when standards are missed—will lead to the attainment of next year's performance goal. Seven States failed to attain the time-lapse criterion for the September 1999–August 2000 period. Six improved their performance in the same period of 2001; four improved enough to exceed the standard in 2001.

Strategies: DOL will emphasize assisting States in meeting their rising workload demands while maintaining all possible emphasis on continuous improvement, and work to develop and gain acceptance of long-term improvements in efficiency and solvency through UI/Employment Service Reform.

DOL will continue to:

- develop the Resource Justification Model to improve administrative funding;
- provide technical assistance/training and project development conferences to promote continuous improvement in performance; and
- raise performance by monitoring and through Corrective Action Plans and Continuous Improvement Plans which States incorporate into their Quality Service Plans.

Goal Assessment and Future Plans:

For FY 2002, DOL proposes several changes to its goals and indicators to more fully reflect the UI mission and Administration priorities focusing on three goals:

Benefits Eligibility Determination Quality			
Fiscal Year	Goal	States Meeting Target	U.S. Average*
1998	No criterion	18	70.4%
1999	No criterion	20	70.3%
2000	24	23	70.3%
2001	26	25	71.1%
*Average State percentage of cases with acceptable quality scores.			

- (1) *Make Timely and Accurate Benefit Payments to Unemployed Workers.*
This goal will have two indicators:
 - a. The *national average* of intrastate first payments made within 14/21 days, with a target of 91 percent.
 - b. A measure of benefit payment accuracy to reflect the Administration's emphasis on payment integrity. DOL will consult with State partners and stakeholders to define the measure and set a baseline and target in FY 2002.
- (2) *Facilitate the Reemployment of UI Claimants.* DOL and the States will develop and test a measure and DOL will obtain authority for data collection.
- (3) *Set Up UI Tax Accounts Promptly for New Employers.* ETA will use as an indicator the percentage of new employers that receive a determination about their UI tax liability within 90 days of the end of the first quarter they become liable for the tax, and has set a target of 80 percent for FY 2002. ■

(Goal 2.2A — FY 2001 Annual Performance Plan)

First Payment Timeliness			
Fiscal Year	Goal	States Meeting Target	U.S. Average*
1996	Goal not set	49	92.8%
1997	Goal not set	47	92.2%
1998	Goal not set	45	90.4%
1999	Goal not set	46	89.6%
2000	47	47	89.9%
2001	48	42	89.6%
*Percentage of all U. S. first payments made within 14/21days.			

ENSURE INDIVIDUALS RECEIVE PROMISED BENEFITS

Increase by 2% (to \$66 million) benefit recoveries achieved through the assistance of Pension Benefit Advisors.

Results: This goal was not met. With the assistance of Benefit Advisers, the Department recovered approximately \$65 million for plan participants in FY 2001 — below the target of \$66 million.

Program Description: The Department directly assists plan participants and beneficiaries in understanding their rights and protecting their benefits via the Pension and Welfare Benefits Administration's (PWBA) participant assistance program. The direct restoration or payment of benefits to participants without the need for protracted or costly litigation is a primary objective of the Department.

Analysis of Results: Three external factors beyond the Department's control contributed to failing to achieve the goal. First, benefit recoveries, by their very nature, are volatile from year-to-year. Second, in FY 2000, the Department experienced several large recoveries (in excess of

\$500,000) that cannot be expected from year-to-year. Finally, the Government-wide hiring freeze resulted in numerous Benefit Adviser positions remaining unfilled for part of the year and this had a direct and adverse impact on recoveries.

Notwithstanding these external factors, \$65 million is a worthy achievement. More importantly, while monetary benefit recoveries are an important performance indicator, they understate PWBA's total customer assistance impact because important outcomes, such as the restoration of health benefits or enhancing an individual's understanding of the law, do not result in a monetary benefit recovery and therefore cannot be readily quantified. The Department has experienced an increasing call volume related to health benefits and, while much of the assistance does not result in a monetary benefit recovery, DOL nevertheless provides the same high level of service to resolving these matters.

DOL received approximately 173,000 written or telephone inquiries for assistance this year. Protecting workers' benefits requires a rapid and accurate response to customer inquiries, and this criteria is therefore a meaningful measure of the Department's

A rapidly growing information technology company was experiencing problems meeting its payroll and failed to transmit employee contributions to its 401(k) plan on a timely basis. Recognizing their error, the company applied to the Department's Voluntary Fiduciary Correction Program (VFCP) to correct the problem. The VFCP allows plan sponsors to identify, on their own initiative, certain technical violations of the law and to correct those violations by applying through the Department's VFCP. Provided certain prescribed criteria are met and correction is documented, the company avoids the risk of investigation and liability for a civil penalty and the Department better leverages its limited enforcement resources. As for the employees, they are able to recoup all delinquent contributions with interest. As a result of the program, the company restored in excess of \$83,000 in delinquent contributions and approximately \$12,000 in lost earnings.

performance. DOL responded to 99.3 percent of the written inquiries within 30 days of receipt and responded to 99.9 percent of telephone inquiries by the close of the next business day. Between FY 1999 and FY 2001, the Department recovered over \$194 million for plan participants as a result of its customer assistance program, an indication that the Department is realizing the full benefits of increased resources, customer assistance staff and the efficiencies of improved technologies. Referrals from the customer service staff also prompt the opening of a significant number of investigations.

The data used to measure the achievement of this goal are derived from the Technical Assistance and Inquiry System. During FY 2000, the Department implemented a new policy to further ensure consistency and accuracy of the data across regional components. The new policy and a review by an expert in performance-based management and data analysis provide confidence in the reliability of these data. PWBA continued to closely monitor the data in FY 2001 and plans to do so in FY 2002.

Strategies: DOL combines an aggressive outreach and education program to create a knowledgeable consumer who may assist in "policing" his or her own benefit rights with a highly motivated and trained staff of

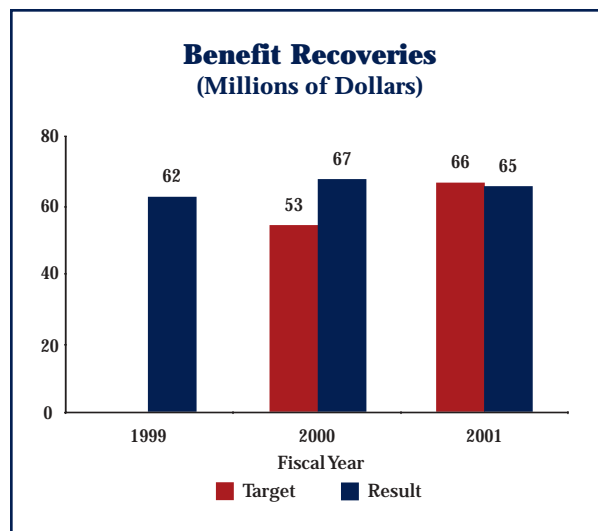
customer assistance experts in the field of pension and health laws. Moreover, the customer assistance staff has access to a wide array of technical experts throughout the Department.

Goal Assessment and Future Plans:

The Department has maintained this goal in FY 2002 as a partial indicator of its success but will consider revisions in the future because the goal fails to adequately measure the total impact of

the customer assistance program. The level of benefit recoveries is only a partial indicator of program success and does not measure the impact of answering inquiries, educating the consumer, or responding to the increase in health related questions. ■

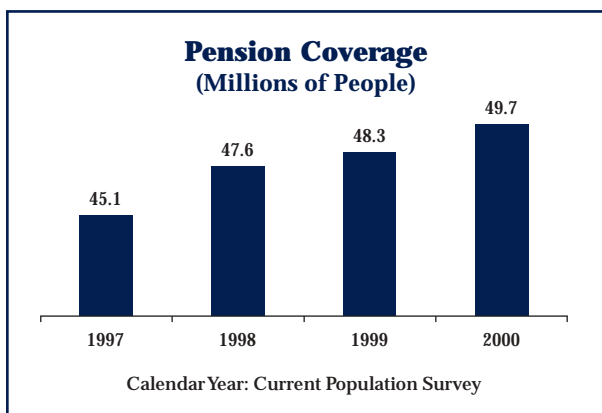
(Goal 2.2B — FY 2001 Annual Performance Plan)



A glass company in New York City went out of business in the 1980s. PWBA was contacted by a participant of the defunct company's pension plan who failed to receive his distribution of funds from the plan. None of the owners of the company or pension plan sponsors could be located to direct a distribution to the participant. A third party administrator held the funds but could not, without direction, distribute the funds to the participant. The Department intervened and discovered that the inquiring participant was the only one who had not received his disbursement. With the assistance of the Department, the third part administrator distributed approximately \$11,000 to the participant.

EXPAND PENSION COVERAGE, PARTICULARLY AMONG WOMEN, MINORITIES, AND SMALL BUSINESS WORKERS

Increase by 1% the number of workers who are covered by a pension plan sponsored by their employer, particularly women, minorities and workers in small businesses.



Results: The results exceeded the goal. The number of private wage and salary workers in pension programs increased by 3 percent from 48.3 million in

CY 1999 to 49.7 million in CY 2000. With respect to those groups where pension coverage has been historically lower, the increase among women was four percent, among minorities six percent, and among workers in small businesses four percent.

Program Description: The Department seeks to improve the financial security of Americans during their retirement years, particularly by expanding coverage to those workers who have experienced historically low pension coverage.

Analysis of Results: Many factors contribute to the expansion of pension coverage, such as the structure and health of the economy (e. g., level of employment and economic growth, labor shortage or surplus, sectoral shifts in economic activity) and demographics (aging population, increasing numbers of women and minorities). The significant impact of the economy on this goal makes it difficult to demonstrate the Department's direct impact.

Strategies: The Department contributes to retirement financial security through aggressive educational strategies, such as the Retirement Savings Education Campaign and Partnerships, targeted public service announcements, promotional cards in tax returns, 800 telephone line, interactive web sites, and videos for small businesses, to name a few. The Department will continue to educate our customers regarding the importance of retirement planning, particularly participation in pension plans.

Goal Assessment and Future Plans: The Department has terminated this goal for FY 2002 because of the difficulty in evaluating the extent of program influences on the result. ■

(Goal 2.2C — FY 2001 Annual Performance Plan)

An employee, who worked for a New York company, contacted the Department after she experienced great difficulties in getting her medical claims paid. She found out that not only was she owed approximately \$3,000, but her medical providers were owed an additional \$28,000. After intervening, the Department discovered that the sponsor only budgeted a finite amount a month for claims. When total claims processed for a month were greater than the amount budgeted, the claims would be rolled over until the following month. This practice resulted in excess of \$4.5 million in unpaid claims impacting approximately 837 participants. As a result of the Department's efforts, claims totaling approximately \$1 million were paid immediately and a payment schedule of \$30,000 per week was implemented to reduce the backlog of unpaid claims. The Department continues to monitor the situation to ensure the weekly payments continue.

ASSIST EARLY RETURN TO WORK

Return Federal employees to work following an injury as early as appropriate indicated by a 2% reduction from the FY 2000 baseline in the average number of production days lost due to disability.

Results: This goal was not achieved. The overall Government-wide average lost production days increased by 10.4 percent to 75.2.

Program Description: DOL administers, through the Employment Standards Administration (ESA), four primary disability compensation programs that provide benefits to certain workers who experience work-related injury or disease, and survivors of employees who die from job-related injury or disease. One of these programs, the Federal Employees' Compensation Act (FECA) program, affords income and medical cost protection to civilian employees of the Federal Government and certain other groups.

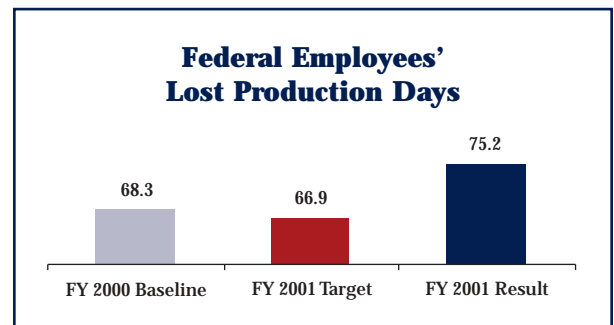
Analysis of Results: This goal measures the annual number of lost production days due to workplace injury against the number of Federal civilian employees. The measurement consists of time lost during the initial 45-day, continuation-of-pay (COP) period while the claim remains in the jurisdiction of the Federal agency employer, plus lost production days within the first year of FECA wage-loss benefits following COP. Roughly half of the FECA wage-loss time is attributable to United States Postal Service cases. That agency's average days lost due to work-related injuries and illnesses rose by nearly 15

percent from FY 2000 to FY 2001. By contrast, total government-wide lost production days, without the US Postal Service, increased by only 4.4 percent. It is likely that workforce downsizing underway by the US Postal Service has decreased the number of light-duty jobs available to injured workers, directly affecting the average number of lost production days. A slight decline in overall Federal employment in FY 2001, coupled with an increase in wage-loss claims which result in more lost production days, also contributed to the increase in average production days lost.

Data for FECA lost production days are

extracted from the Federal Employees Compensation National Case Management File and the Compensation Payment System. Program managers directly responsible for claims processing review this data. The performance data are then compiled in a separate operation and distributed widely to field managers and national office reviewers. Senior managers review final performance reports for issuance in formal reporting. These review procedures provide confidence that the data are reliable and appropriate to the performance being measured.

Various Federal employing agencies derive and transmit quarterly to DOL the data for the COP lost production days from multiple data systems. Although the Department specifies to the agencies the type of data required, DOL has no oversight over those data systems.



Strategies: In late FY 2001, the Department began an evaluation project to study the effectiveness of the Early Nurse Intervention Program in coordinating appropriate medical services and in facilitating earlier return to work. The information gathered from this project should help guide DOL's efforts in these areas.

Because of unique circumstances being experienced by the US Postal Service, the Department will revise this goal to separately track that agency's lost production days; work with Postal Service management to determine if internal incentives systems can be better aligned with reducing lost production days; and work with the Postal Service to identify new return-to-work strategies which might be more effective in an environment of downsizing and challenging economic periods, such as consideration of private sector opportunities for injured Postal workers rather than pursuit of light-duty jobs within the Postal Service.

Goal Assessment and Future Plans: Lost production days is one of several measures within the Federal Employees Health and Safety Initiative used to gauge the success of efforts to increase Federal workplace safety rates and speed recovery and return to work. In FY 2002, the Department will make every effort to further decrease average lost production days in FECA wage-loss cases. However, in light of widespread public health incidents subsequent to the anthrax events involving postal workers and other Federal employees responsible for handling mail, the Department revised this goal for FY 2002 to separately measure lost production days for the US Postal Service and for

all other Federal agencies, and to establish FY 2001 performance results as the new measurement baseline for all agencies. ■

(Goal 2.2D — FY 2001 Annual Performance Plan)

LONG-TERM DISABILITY CASE REVIEW

Produce \$95 million in cumulative first-year savings in the FECA Program through Periodic Roll Management.

Results: This goal was achieved. Periodic Roll Management (PRM) produced an additional \$31 million in first-year savings in FY 2001, bringing cumulative total first-year savings to \$103 million.

Program Description: DOL administers, through the Employment Standards Administration (ESA), four primary disability compensation programs that provide benefits to certain workers who experience work-related injury or disease, and survivors of employees who die from job-related injury or disease. One of these programs, the Federal Employees' Compensation Act (FECA) program, affords income and medical cost protection to civilian employees of the Federal Government and certain other groups.

Analysis of Results: PRM is aimed at quality management of the long-term disability rolls, improving service to disabled beneficiaries, rehabilitating and reemploying partially disabled individuals and adjusting benefits to accurately reflect eligibility. PRM teams completed over 6,018 reviews in FY 2001, with one-half of the reviews resulting in either an adjustment to continuing benefit amounts or a termination of benefits. Since becoming a permanent FECA program operation in FY 1999, PRM has produced over \$300 million in compensation benefit savings.

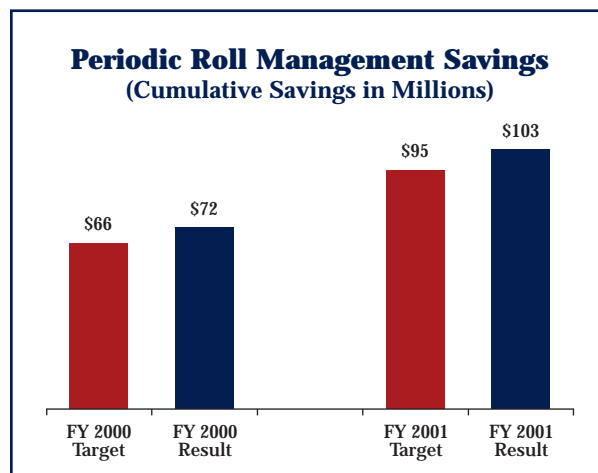
Data for this measure are extracted from the Federal Employees Compensation Periodic Roll

Management and Compensation Payment Systems. Program managers directly responsible for initial production review these data. The performance data are then compiled in a separate operation and distributed widely to field managers and national office reviewers. Senior managers review final performance reports for issuance in formal reporting. These review procedures provide confidence that the data are reliable and appropriate to the performance being measured.

Goal Assessment and Future Plans:

Through revisions to district office operational plan goals in FY 2002, the FECA program will sharpen the focus of PRM reviews on more complicated disability cases and those with the greatest potential for vocational rehabilitation services. For FY 2002 this goal targets cumulative (FY 1999 – FY 2002) first-year savings of \$122 million, requiring PRM to produce an additional \$19 million in savings. ■

(Goal 2.2E — FY 2001 Annual Performance Plan)



HOLD THE LINE ON MEDICAL COSTS

In the FECA program, reduce the average annual cost for physical therapy and psychiatric services cases by 1% through focus reviews of services charged. (Note: This intermediate goal will assist the agency in developing strategies to reach the overall cost reduction goal. Reduction of overall average medical costs will be measured against an FY 2000 baseline.)

Results: This performance goal was not achieved. While the Department successfully reduced the average cost per case for Psychiatric services by nearly 3 percent over FY 2000, the average cost per case for Physical Therapy increased by 4.5 percent.

Program Description: DOL administers, through the Employment Standards Administration (ESA), four primary disability compensation programs that provide benefits to certain workers who experience work-related injury or disease, and survivors of employees who die from job-related injury or disease. One of these programs, the Federal Employees' Compensation Act (FECA) program, affords income and medical cost protection to civilian employees of the Federal government and certain other groups.

Analysis of Results: For Psychiatric cases, the application of stricter guidelines over approval of services in the FECA district offices contributed to the decline in average case costs. FY 2001 results revealed that automated system controls, not now available through FECA's current systems, are essential to enabling the FECA program to apply industry standards and monitoring to

Physical Therapy and other complicated medical treatment regimens. Despite an increase in average costs for Physical Therapy cases, Focus Reviews (case reviews that look at the appropriateness of service) conducted in late FY 2001 demonstrated the potential for savings in this service category: reviews of 842 high-cost cases identified 121 cases warranting adjustments of service limits.

Data for this measure are extracted from the Federal Employees Compensation Medical Bill Payment System. Program managers directly responsible for bill processing review these data. The performance data are then compiled in a separate operation and distributed widely to field managers and national office reviewers. Senior managers review final performance reports for issuance in formal reporting. These review procedures provide confidence that the data are reliable and appropriate to the performance being measured.

Strategies: In FY 2002, the FECA program will review high-cost (top 1 percent) physical therapy cases to determine whether further treatment is warranted. Physical therapy treatments account for approximately 13 percent of all FECA medical outlays. Because medical industry practices, expanding medical technology and pharmacology, and other external factors continue to jeopardize FECA's ability to control medical costs in the future, the Department is considering procurement of contract services for Utilization Review. Under Utilization Review, the Department would implement a more comprehensive program to identify and prevent inappropriate medical costs; improve medical services for injured Federal

employees; improve the likelihood of successful early recovery from injury and early return to work; and reduce the rate of injury recurrences.

Goal Assessment and Future Plans:

In FY 2002, the Department will pursue its goal to reduce the average cost of Total Medical Services by .5 percent vs. the FY 2000 baseline, but will reformulate the FY 2002 goal to reduce average costs for Physical Therapy and other selected treatment categories. Analysis of the FY 2001 results show that, without additional resources for Utilization Review, DOL will not be able to achieve the goal of reducing average Physical Therapy service costs. ■

(Goal 2.2F — FY 2001 Annual Performance Plan)

ISSUE TIMELY AND ACCURATE DAVIS-BACON WAGE DETERMINATIONS

Each area of the country will be surveyed for all four types of construction at least every three years, and the resulting Davis-Bacon wage determinations validly reflect locally prevailing wages/benefits. In FY2001, complete development of all aspects of a revised Davis-Bacon system.

Results: This performance goal was achieved. The Department completed process improvements to all relevant components of the Davis-Bacon wage determination system, tested the components, and initiated Davis-Bacon wage surveys in sixteen States.

Program Description: DOL's Employment Standards Administration (ESA) administers and enforces the Davis-Bacon Act. This Act requires the payment of locally prevailing wages so that Federal contracting practices do not undercut workers' wages in the community and place local contractors and workers at a competitive disadvantage. DOL determines and issues wage rates for covered Federally-funded and assisted construction projects.

Analysis of Results: Several strategies and initiatives contributed to this successful outcome, most notably:

- Redesign of the data collection form to facilitate scanning and direct entry of data using optical and intelligent character recognition (OCR/ICR), bar codes and other electronic data entry technologies;
- Development of a Web-based electronic data collection form;

- Use of a public accounting firm to conduct on-site data verification for all Davis-Bacon surveys;
- Based upon GAO recommendations, expanding the use of telephone verification and targeting on-site verification efforts to those submissions that would have the greatest impact on the resulting wage determination;
- Agreement with the Census Bureau for automated printing and mailing of all survey data collection forms; and
- Implementation of Statewide surveys and additional data sources to identify all possible sources of relevant data.

Goal Assessment and Future Plans:

The Department will ensure that future surveys are conducted accurately and timely. Given the successful completion of the process improvements made during FY 2001 and ongoing strategic/performance plan refocusing efforts in ESA, the Department did not include a goal for this program in the FY 2002 Annual Performance Plan. ■

(Goal 2.2G — FY 2001 Annual Performance Plan)

PROVIDE BENEFITS WHEN DEFINED PENSION PLANS TERMINATE

Reduce processing time from 4–5 years to 3–4 years to send final, accurate benefit determinations to participants in defined benefit pension plans taken over by PBGC.

Results: This goal was fully achieved. The average time to issue final, accurate benefit determinations averaged 3.6 years in FY 2001.

Program Description: The Secretary of Labor serves as the Chairman of the Pension Benefit Guaranty Corporation (PBGC), which provides timely and uninterrupted payment of pension benefits to participants whose defined benefit pension plans terminated, most frequently as a result of the sponsoring employer's bankruptcy. Benefit determinations tell participants in plans for which PBGC has become the trustee what pension benefits they will receive. PBGC pays estimated benefits to all eligible participants retiring prior to the issuance of a benefit determination, thus ensuring that retirees receive their benefits when due and without interruption.

Analysis of Results: PBGC reduced the average timeframe for issuing final benefit determinations to an average of 3.6 years in FY 2001. The length of time is largely a result of an intricate series of complex actions -- from verifying plan assets and participant data, to completing an actuarial valuation and financial and control group analysis. Sponsor bankruptcies and legal disputes over plan assets also complicate and extend the trusteeship process. The Participant Record Information Management System, PBGC's database of participant information, provides reliable data and is subject to a variety of internal controls to assure data integrity.

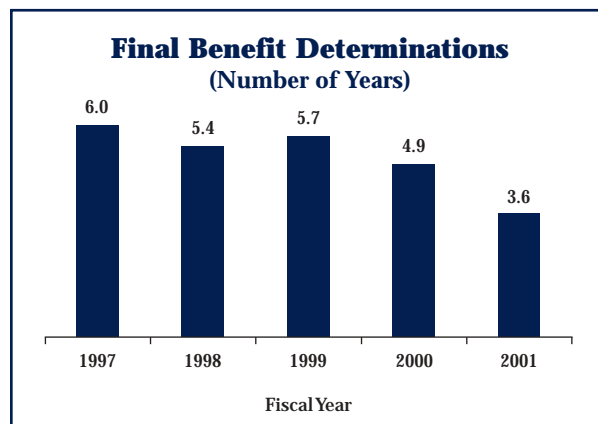
Strategies: PBGC has continued to streamline case processing, tripling the annual production of benefit determinations over the past seven years. Focusing these efforts on the oldest cases in the backlog has gradually reduced the average time for issuing benefit determinations.

Goal Assessment and Future Plans:

PBGC reduced the target for this goal to a three year average processing time for FY 2002.

Improvements beyond the 3-year processing target

will require legislation to remove obstacles to further streamlining. PBGC is developing a set of additional performance goals for FY 2003 that will measure the accuracy and timeliness of payments to beneficiaries and businesses served, including prompt premium refunds, expedited estimated lump sum benefit payments (for amounts of \$5,000 and less) to participants in plans in trusteeship, timely placement in pay status for eligible participants (within three months), and accurate payment of benefits to participants. ■



(Goal 2.2H — FY 2001 Annual Performance Plan)

After receiving notices that the financial sponsor of a major airline's under-funded pension plan would exercise an option to terminate the plan, the Pension Guaranty Corporation (PBGC) swung into action. PBGC staff worked round-the-clock shifts to ensure that 31,000 covered workers received timely notice by mail that PBGC would become responsible for their retirement benefits. A concerted effort was also mounted to prepare final benefit estimates for these workers. Completing estimates for so large a group often takes three years, this time the estimates were ready in 30 days. With estimates in hand, airline workers could carefully consider benefit options outlined by PBGC at any of the 34 meetings the agency held near the airline's major operating locations. Retirees also benefited from PBGC's quick action. PBGC made sure that there was no interruption in monthly benefit checks for those already retired from the airline. For those about to retire, PBGC issued monthly pension payments in 60 days or less, cutting processing time in half compared to the last time the agency took over a major airline pension plan.