



Strategic Goal 4: *Strengthened Economic Protections*

Protect and strengthen worker economic security through effective and efficient provision of unemployment insurance and workers' compensation; ensuring union transparency; and securing pension and health benefits.

DOL increases the economic security of America's working families by administering payment of temporary benefits for the unemployed, protecting Federal workers from the economic effects of work-related injuries and illness; ensuring that labor union operations are transparent; and protecting employee benefits plans against fraud, abuse, and mismanagement, and insuring defined benefit pension plans. These operations are carried out by three DOL agencies and a government corporation whose board is chaired by the Secretary of Labor:

- Employment and Training Administration (ETA),
- Employment Standards Administration (ESA),
- Employee Benefits Security Administration (EBSA), and
- Pension Benefit Guaranty Corporation (PBGC).

For these agencies, protecting America's workers means protecting their economic security. DOL provides benefits and enforces laws that provide a safety net for workers and ensure transparency among the unions that represent them. Every employee faces unforeseen risks, and these agencies work to ensure that unemployed workers receive benefits; that workers in special industries receive compensation when injured or fall victim to job-related illnesses; that pension contributions and health benefits are secure; and that unions deliver honest elections and financial records. Here are a few highlights of FY 2008 results:

For the Unemployed

- 65 percent of unemployed workers found jobs within six months of their first benefit payment.
- For the second year in a row, over 85 percent of new employers received timely unemployment insurance tax liability determinations.

For the Injured or Ill Worker

- Federal employees lost fewer days of work due to a work-related injury or illness – 41 per 100 employees, compared to over 60 just a few years ago.
- Black Lung and both types of nuclear workers' claims (energy program Parts B and E) were processed eight percent, 29 percent, and five percent faster, respectively, than last year.
- Nearly 95 percent of final decisions on energy program claims were made timely – up more than seven percentage points from FY 2007.

For Union Members

- Although targets for further improvement were not reached, the fractions of acceptable union annual reports and unions with democratic officer election procedures both remained above 90 percent.



Debit cards put unemployment payments into the hands of some beneficiaries faster, more safely and securely than checks because not all claimants have bank accounts. As part of its long-standing practice of promoting technological improvements in the Unemployment Insurance (UI) program, in FY 2006, DOL provided \$1.79 million in grants to 20 States for the implementation of debit card and/or direct deposit for UI Benefit payments. Forty-three States now use debit cards, are pilot testing or planning for their use. Forty-four States are making UI benefit payments by direct deposit or planning to do so. Texas reports that all of its benefits are paid by debit card while New Mexico and Louisiana make at least 80 percent of their payments by debit card. Photo credit: DOL/ETA

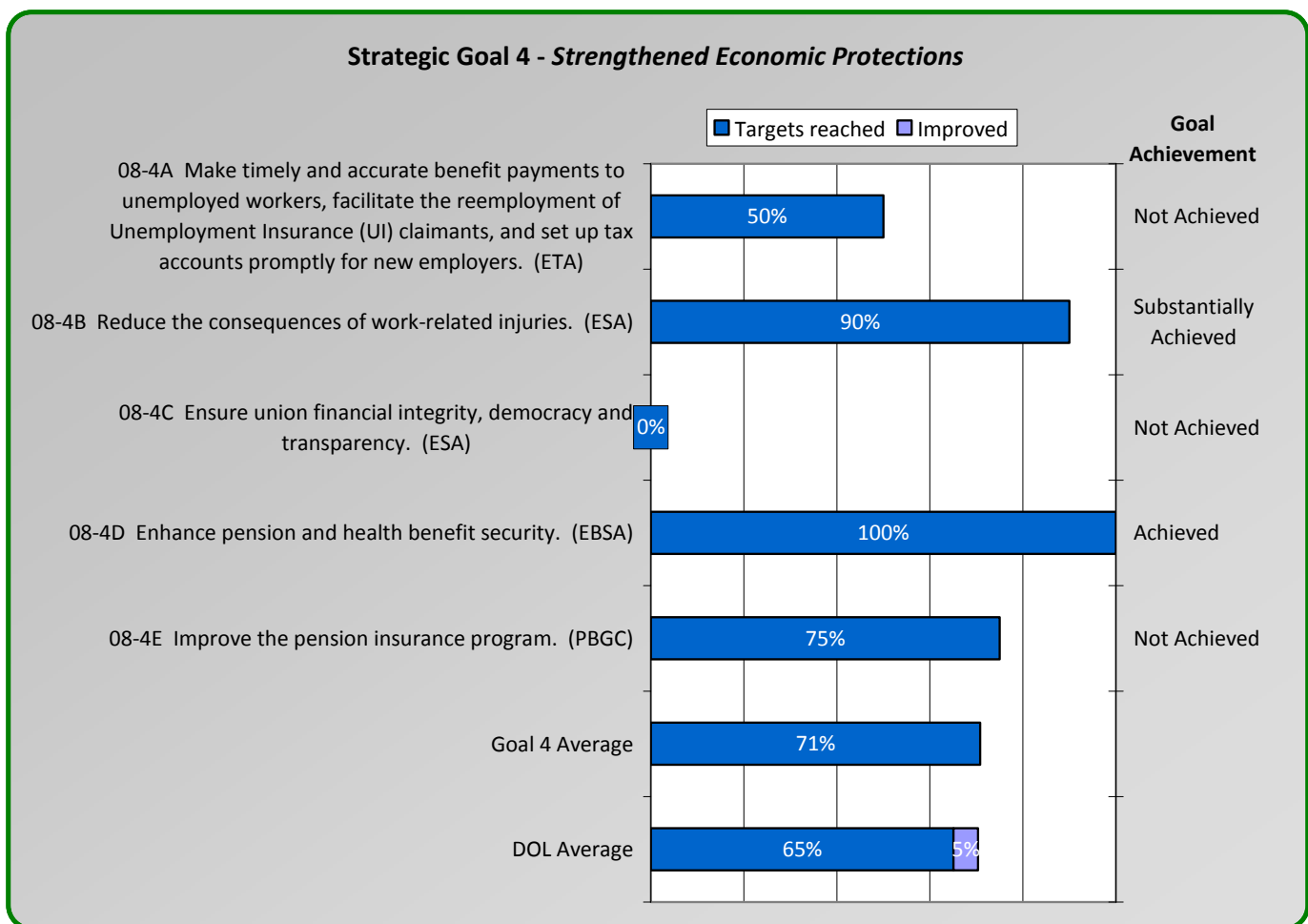


For Workers with Pensions

- Pension insurance program customers’ satisfaction continued to increase – to 72 percent for premium filers, 80 percent for trustee plan participants, and 89 percent for retiree beneficiaries (from 68 percent, 79 percent, and 85 percent, respectively, in FY 2005).

For more specific information on the programs, see the Performance Goal narratives.

The chart below presents FY 2008 achievements as measured by performance goals and indicators. The performance goal number, goal statement, and responsible agency appear on the left axis, the total percentage of indicator targets reached or improved is indicated in the horizontal bars, and the goal result is on the right axis. Corresponding strategic goal and DOL-wide averages are presented at the bottom of the chart. If the goal is achieved, the bar will run all the way across because, by definition, all indicator targets were reached. If the goal is substantially achieved, the total can range from 80 percent to 100 percent and includes indicators for which the target was not reached, but results improved over the previous year.



DOL achieved or substantially achieved two of the five performance goals in Strategic Goal 4 (40 percent) – below the 50 percent Department-wide average. The Unemployment Insurance program did not achieve its goal; it reached two of its four indicator targets. ESA’s Office of Workers’ Compensation Programs (OWCP) substantially achieved its goal by reaching nine of 10 targets for Federal Employees' Compensation Act, Longshore and Harbor Workers' Compensation, Black Lung Benefits and Energy Employees Occupational Illness Compensation programs. ESA’s Office of Labor-Management Standards (OLMS) did not achieve its performance goal; the targets for its three indicators were not reached. EBSA achieved its goal by reaching all targets. PBGC did not reach its goal but did reach three of four targets.



The following table provides net costs for all performance goals and indicators associated with this strategic goal.⁵²

Goal or Indicator	Net Costs (\$Millions) ⁵³		
	FY 2006 PY 2005	FY 2007 PY 2006	FY 2008 PY 2007
Strategic Goal 4: Strengthened Economic Protections⁵⁴	\$35,705	\$38,495	\$48,957
Performance Goal 08-4A (Unemployment Insurance) Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance claimants, and set up unemployment tax accounts promptly for new employers.	33,340	34,647	45,035
Mandated benefit payments ⁵⁵	30,506	32,069	42,281
<i>Percent of all intrastate first payments made within 21 days</i>	-	-	-
<i>Percent of the amount of estimated overpayments that States detect and establish for recovery</i>	-	-	-
<i>Percent of UI claimants reemployed by the end of the first quarter after the quarter in which they received their first payment</i>	-	-	-
<i>Percent of new employer tax liability determinations made within 90 days of the end of the first quarter in which liability occurred</i>	-	-	-
Dollars not associated with indicators	2,834	2,645	2,755
Performance Goal 08-4B (Workers' compensation) Reduce the consequences of work-related injuries.	2,130	3,554	3,693
Mandated benefit payments	1,708	3,050	3,204
<u>Federal Employees' Compensation Act (FECA) Program</u> <i>Lost production days rate (LPD per 100 employees) for all government agency cases</i>	7	7	7
<i>Lost production days rate (LPD per 100 employees) for the United States Postal Service</i>	7	7	7
<i>Savings resulting from Periodic Roll Management case evaluations</i>	20	34	15
<i>Rate of change in the indexed cost per case receiving medical treatment compared to the Milliman USA Health Cost Index</i>	22	40	25
<i>Targets for six communications performance areas</i>	7	12	8
<u>Longshore and Harbor Worker's Compensation Program</u> <i>Average days required to resolve disputed issues in contested cases</i>	6	6	4

⁵² Rows labeled "Dollars not associated with indicators" indicate costs that cannot be associated with the current set of performance indicators. For some goals, indicator costs are intentionally combined by merging cells because program activities are not separable into categories associated with one or another of them (e.g., job training program common measures – entered employment, employment retention and average earnings).

⁵³ Net cost as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis.

⁵⁴ Costs for Performance Goal 08-4E (PBGC) are not referenced because the Corporation's financial statements are not part of the Department's consolidated statements. PBGC's financial statements can be found in their Annual Management Report at <http://www.pbgc.gov/docs/PBGCAMR.pdf>.

⁵⁵ Mandatory benefit payments for Unemployment Insurance and Workers' Compensation programs account for most costs for Performance Goals 08-4A and 08-4B. Because performance indicators and the Department's managerial cost accounting system that generates this information are designed to inform analysis and decision-making related to discretionary budgets and program management, such payments are shown separately and not included in allocation cost models.



Goal or Indicator	Net Costs (\$Millions) ⁵³		
	FY 2006 PY 2005	FY 2007 PY 2006	FY 2008 PY 2007
<u>Division of Coal Mine Workers' Compensation</u> <i>Average number of days to render a decision on a claim</i>	24	26	17
<i>Percent change in Black Lung average medical treatment cost for the previous year compared to the National Health Expenditure Projection</i>	-	-	2
<u>Energy Employees Occupational Illness Compensation Program</u> <i>Average number of days to process Part B initial claims</i>	155	185	60
<i>Average number of days to process Part E initial claims</i>	-	-	58
<i>Percent of Part B and Part E final decisions processed within 180 days where there is a hearing or 75 days where there is no hearing</i>	16	18	18
Dollars not associated with indicators	159	172	270
Performance Goal 08-4C (Labor-Management Standards) Ensure union financial integrity, democracy and transparency.	56	68	58
<i>Percent of unions with fraud</i>	18	35	29
<i>Ratio of criminal cases to targeted audits</i>	-	-	
<i>Percent of union reports meeting standards of acceptability</i>	8	16	11
<i>Percent of unions filing reports electronically</i>	-	-	
<i>Percent of unions in compliance with Labor-Management Reporting and Disclosure Act (LMRDA) standards for democratic union officer elections</i>	11	13	14
<i>Average number of days to resolve union officer election complaints</i>	-	-	
Dollars not associated with indicators	20	4	3
Performance Goal 08-4D (EBSA) Enhance pension and health benefit security.	179	176	170
<i>Ratio of closed civil cases with corrected fiduciary violations to civil closed cases</i>	-	103	102
<i>Ratio of criminal cases accepted for prosecution to cases referred</i>			
<i>Applications for Voluntary Compliance programs</i>	-	-	-
Dollars not associated with indicators	179	44	68



Make timely and accurate benefit payments to unemployed workers, facilitate the reemployment of Unemployment Insurance (UI) claimants, and set up unemployment tax accounts promptly for new employers.

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Performance Goal 08-4A (ETA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2003 Goal Not Achieved	FY 2004 Goal Not Achieved	FY 2005 Goal Not Achieved	FY 2006 Goal Not Achieved	FY 2007 Goal Not Achieved	FY 2008 Goal Not Achieved
Percent of intrastate first payments made within 21 days	Target	91%	89.2%	89.9%	89.9%	90.0%	88.4%
	Result	89%	90.3%	89.3%	87.6%	88.2%	86.8%
	*	N	Y	N	N	N	N
Percent of the amount of estimated overpayments that the States detect and establish for recovery	Target	59%	59%	59.5%	59.5%	60.0%	56.0%
	Result	54%	57.4%	58.7%	62.1%	54.8%	56.5%**
	*	N	N	N	Y	N	Y
Percent of UI claimants reemployed by the end of the first quarter after the quarter in which they received their first payment	Target	—	—	—	baseline	65.0%	65.2%
	Result	—	—	—	62.4%	65.1%	64.9%**
	*	—	—	—	Y	Y	N
Percent of new employer tax liability determinations made within 90 days of the end of the first quarter in which liability occurred	Target	80%	82.2%	82.4%	82.5%	82.8%	84.9%
	Result	83%	83.6%	82.4%	83.7%	85.6%	85.5%**
	*	Y	Y	Y	Y	Y	Y
Goal Net Cost (millions)		—	—	\$34,243	\$33,340	\$34,697	\$45,035

Source(s): Payment Timeliness: 9050, 9050p, Reports Payment Accuracy: Benefit Accuracy Measurement (BAM) program and ETA 227 Report, Facilitate Reemployment: ETA 9047 Report, New Status Determinations Timeliness: ETA 581 Report.

Legacy Data: Some indicators not shown for FY 2003-05. Complete indicators, targets and results for FY 2003-05 are available in the FY 2006 report at <http://www.dol.gov/sec/media/reports/annual2006/PGD.htm>. See Performance Goal 06-2.2B.

Note: Costs for this goal are net costs as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis. Approximately \$2 billion of the net cost is for administration; the rest is for benefit payments to individuals. Costs are not allocated to the indicator level because performance indicators do not map to administrative cost categories or benefit payments. See Analysis and Future Plans section in the following narrative.

Program Perspective and Logic

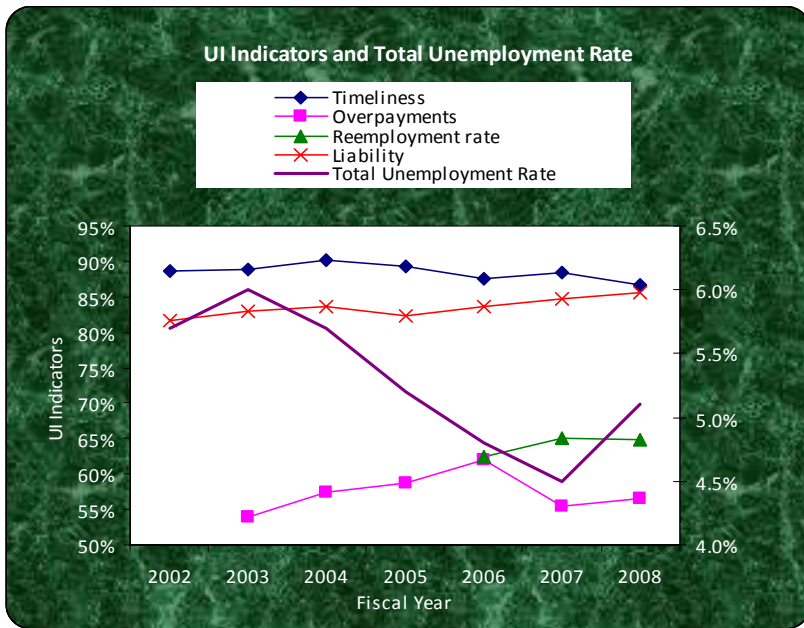
By temporarily replacing part of unemployed workers' lost wages, the Federal-State Unemployment Insurance (UI) system minimizes individual financial hardship resulting from unemployment and stabilizes the economy during economic downturns. States operate their own programs under their own laws, which must also conform to and substantially comply with Federal law. As the Federal partner, DOL provides program leadership, allocates administrative funds, provides technical assistance, and exercises performance oversight to ensure that State partners meet Federal UI laws and regulations. Measuring efficiency and effectiveness of States' administrative operations is an important aspect of program management. For both workers and employers, success is measured by timely payment of benefits; accurate payments; prompt determination of new employers' tax liabilities; and promoting reemployment of claimants in suitable work.

As economic conditions change, the resulting workloads affect many aspects of the UI system performance. For example, when unemployment rises, more claims are filed and UI payment timeliness generally declines. On the other hand, when business creation slows, it reduces the number of new employer tax accounts and the timeliness of tax liability determinations generally improves. In addition, non-economic events can be extensive enough to affect aggregate UI system performance; an example was the series of hurricanes that hit the Gulf region during 2005. Performance targets are based on the Administration's economic assumptions, which are subject to change.



Analysis and Future Plans

Based on the most recent data covering 12 months of performance, the UI system did not reach FY 2008 targets for first payment timeliness and claimants' reemployment rate. However, the targets for new employer tax liability



determinations and detection of overpayments were reached. First payment timeliness declined in California, Georgia, Indiana, Kansas, Massachusetts, Minnesota, Missouri, New Hampshire, Rhode Island, Virginia, and Washington. The decrease in performance is largely attributable to increased workloads. The number of UI first payments made from October 1, 2007 to September 30, 2008 (8.9 million) was 17.1 percent higher than those made during the preceding 12-month period (7.6 million). State agencies' overpayments established for recovery increased by 1.7 percentage points over the FY 2007 result. Overpayments estimated by the Benefit Accuracy Measurement (BAM) program decreased by \$10.6 million, from 5.9 percent to 5.6 percent

of UI benefits paid, while overpayments established for recovery by the state agencies increased by \$25 million. The reemployment rate of 64.9 percent for claimants reemployed in CY 2007 is 0.2 percentage points below the target for FY 2008, primarily due to changes in the national unemployment rate.

To meet all its performance goals, the Department has several initiatives under way:

- Address the largest cause of UI improper payments – claiming benefits after returning to work – by continuing to promote the use of the National Directory of New Hires (NDNH) by all States.
- Address the second largest cause of overpayments – errors in handling separation issues – by continuing two efforts: facilitating the design and implementation of the Unemployment Insurance Separation Information Data Exchange System (SIDES), which is expected to provide more timely and complete separation information; and coordinating design and development of additional State adjudication training courses to reduce claimant eligibility determination errors.
- Facilitate a National UI Benefits and Adjudication Conference for States to share best practices and discuss new strategies to improve UI benefits program performance and payment accuracy.
- Issue guidance to the states to address legislative requirements of the Unemployment Compensation Integrity Act of 2008, which authorizes recovery of some UI fraud overpayments by offsetting Federal income tax refunds.



In FY 2008, the UI system costs were \$10 billion higher than in FY 2007. Approximately \$4 billion of this increase is attributable to the Emergency Unemployment Compensation program. The rest of the increase reflects the increase in the average unemployment rate from 4.5 percent to 5.3 percent. Overall, benefit payments rose 32 percent to \$42.281 billion in FY 2008 from \$32.069 billion in FY 2007. Administrative costs increased by seven percent, from \$2.578 billion to \$2.755 billion. DOL collects information on State spending of UI grant funds; however, the categories in which cost data are collected



are generally functional or workload categories – initial claims, continued claims, eligibility determination, appeals, employer accounts, tax audits, overhead, and infrastructure costs such as space and information technology. These categories do not align well with UI performance measures, which span multiple functions. For example, the cost of timely first payments would include some portion of the costs attributable to initial claims, eligibility determinations, employer accounts, tax audits, and a share of overhead and infrastructure costs. Therefore, separating costs by performance indicator is not currently feasible.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:	
2003	Moderately Effective	http://www.whitehouse.gov/omb/expectmore/summary/10001102.2003.html	
FY 2008 Progress on PART Improvement Plan			
<ul style="list-style-type: none"> Integrating use of the National Directory of New Hire (NDNH) crossmatch into the UI Benefit Accuracy Measurement (BAM) survey to improve detection of claimants' eligibility for UI benefits. As of July 1, 2008, 48 States were matching paid claims cases with the NDNH or their State Directory of New Hires. Advising, facilitating and coordinating state adjudication training designed to improve claimant eligibility determinations. Five training sessions were completed in FY 2007 and five in FY 2008 with a total of 400 staff trained. Supporting a five-state consortium's development of the Separation Information Data Exchange System (SIDES) to ensure that accurate employer information on the circumstances of job separations reaches adjudicators in time to result in accurate decisions. DOL is working with the consortium and its contractor to facilitate development and testing of SIDES, which will support the exchange of information on the reasons for claimant separations between employers and State Workforce Agencies. The five consortium States plan to have SIDES completely implemented in CY 2009. 			
“Worker Profiling and Reemployment Services Evaluation of State Worker Profiling Models: Final Report,” March 2007 (Coffey Communications, LLC)			
<p>Relevance: The purpose of this study was to improve State worker profiling models by establishing an approach for evaluating their accuracy, applying this approach to current State models to determine how effective they are at predicting UI benefit exhaustion, and identifying best practices in operating and maintaining worker profiling models.</p>			
<p>Findings and Recommendations:</p> <ul style="list-style-type: none"> Basic assessments of model effectiveness were conducted for 28 States, and extended analyses were conducted for nine of them. Performance of profiling models is reasonably good. Detailed analysis of State data shows that almost all of the 28 State models analyzed perform better than random assignment of claimants to services. 		<p>Next Steps:</p> <ul style="list-style-type: none"> DOL is providing technical assistance on a State-by-State basis to assist in updating their profiling models. 	
<p>Additional Information: The report is available at http://wdr.doleta.gov/research/.</p>			
“Reemployment and Eligibility Assessment (REA) Study – FY 2005 Initiative,” March 2008 (IMPAQ International, LLC)			
<p>Relevance: The purpose of this study was to evaluate the implementation of the REA Initiative and test its efficacy. The study included an analysis of REA impacts on employment and UI benefits receipt in two states.</p>			
<p>Findings and Recommendations:</p> <ul style="list-style-type: none"> While the REA Initiative was successfully implemented in most States, researchers experienced methodological challenges establishing valid treatment and comparison groups and providing data via the required reports in most states. The findings from two States (see below), while informative, cannot be generalized to all states. Analysis of REA impacts in Minnesota using State UI administrative records and follow-up interview data indicated that REA enhanced the rapid reemployment of unemployed workers and reduced overpayments. A similar analysis in North Dakota, however, found no statistically significant program impacts. 		<p>Next Steps:</p> <ul style="list-style-type: none"> The Department will continue to analyze the outcomes and effectiveness of the REA initiative. 	



Additional Information: The report is available at <http://wdr.doleta.gov/research/>.

**“Evaluation of State Implementation of Section 303(k) of the Social Security Act,” June 2008
(Coffey Communications, LLC and the Urban Institute)**

Relevance: The report provides information on State actions to meet the requirements of Public Law 108-295, the “State Unemployment Tax (SUTA) Dumping Prevention Act of 2004”, which amended section 303(k) of the Social Security Act (SSA) by establishing a minimum nationwide standard for curbing an unemployment compensation tax rate manipulation scheme known as “SUTA dumping.” P.L. 108-295 required the Secretary of Labor to conduct a study of state implementation and report the findings to Congress.

Findings and Recommendations:

- Several states indicated that there is a need for additional Federal legislation and/or other Federal action to improve the effectiveness of SUTA dumping detection, prevention, and enforcement; and
- States need technical assistance and/or training.

Next Steps:

- DOL convened a National SUTA Dumping Detection Forum that included volunteer State and Federal staff. Participants recommended formation of three teams to study and provide guidance: electronic information sharing tools, Web-based training tools and mentoring programs, and performance measure development. Plans are to provide substantive outcomes in each of the three areas in FY 2009.

Additional Information: The report is available at <http://wdr.doleta.gov/research/>.

Data Quality and Top Management Challenges

Data quality for this performance goal was rated *Very Good*.⁵⁶ Strengths of the data include timeliness and reliability, which result from the use of consistent data collection and reporting methods. Quality controls and procedures for verifying program data could be strengthened to reduce instances of overpayment and worker misclassification by assuring that definitions are uniformly applied among the States and that performance data are correctly reported. In FY 2008, ETA implemented a UI Data Validation (DV) program to verify that UI activities are reported according to prescribed definitions. States are required to submit their DV results as part of the State Quality Service Plan (SQSP) process. States that fail DV must describe in the SQSP Corrective Action Plan or narrative the actions they plan to take to pass DV.

Reducing improper payments and improving the integrity and solvency of the UI program remain among the Department’s top management challenges (see *Safeguarding Unemployment Insurance* in the Top Management Challenges section of Management’s Discussion and Analysis). DOL continues to aggressively address the leading cause of overpayments – individuals who claim benefits after returning to work – by promoting use of the NDNH, which provides state agencies with information on the claimants’ employment status. As of July 1, 2008, 48 State agencies submitted files of UI payments for NDNH matching as part of their UI integrity operation. To improve the accuracy of the overpayment detection measure, all States are required to cross-match paid UI claims selected for BAM audits with the NDNH data. As of July 1, 2008, 45 state BAM programs had implemented NDNH matching and three additional states were matching with their State Directory of New Hires.

The weakening in the economy has affected State trust fund accounts. More than half of the States reported a negative cash flow in the 12 months ending in March 2008, and two States borrowed from the Federal Unemployment Account this fiscal year. Overall, balances are expected to decline seven percent this fiscal year. Several existing and proposed measures are expected to improve trust funds’ solvency. All States’ UI tax schedules are indexed; when trust fund balances fall below predetermined levels, tax rates rise to increase contributions. Ongoing efforts to prevent, detect and recover overpayments will conserve scarce funds. Finally, DOL is in the process of implementing a regulation requiring a State to meet a funding goal in order to get the interest-free cash-flow loan – which the State needs to make benefit payments. This requirement will provide an incentive to States to improve solvency and will establish a DOL position on what constitutes an adequate fund balance.

⁵⁶ Information on DOL’s Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.



Reduce the consequences of work-related injuries.



Performance Goal 08-4B (ESA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N) **Estimated		FY 2003 Goal Substantially Achieved	FY 2004 Goal Substantially Achieved	FY 2005 Goal Substantially Achieved	FY 2006 Goal Achieved	FY 2007 Goal Substantially Achieved	FY 2008 Goal Substantially Achieved
<u>Federal Employees' Compensation Act (FECA) program</u> Average lost production days (LPD) per 100 non-Postal employees) resulting from work-related injury and illness	Target	54.7	55.4	61.0	60.0	49.0	48.5
	Result	55.0	61.9	56.0	52.2	46.3	41.0**
	*	N	N	Y	Y	Y	Y
	Cost	—	—	—	\$7	\$7	\$7
Average lost production days (LPD) per 100 Postal employees resulting from work-related injury and illness	Target	130	146	148	146	130	142
	Result	143	147	135	142	135	134**
	*	N	N	N	Y	N	Y
	Cost	—	—	—	\$7	\$7	\$7
First-year benefit savings as a result of Periodic Roll Management (PRM) reviews (\$million)	Target	\$20	\$18	\$17	\$13	\$8	\$14
	Result	\$25	\$24	\$23	\$16	\$17	\$17
	*	Y	Y	Y	Y	Y	Y
	Cost	—	—	—	\$20	\$34	\$15
Rate of change in medical cost per case is below comparable measure of the annual rate of change in the national Milliman USA Health cost index (MHCI)	Target	≤9.1%	≤8.8%	≤8.8%	≤8.7%	≤8.3%	≤8.5%
	Result	-2.8%	+2.4%	+2.8%	+6.3%	+8.1%	+3.2%
	*	Y	Y	Y	Y	Y	Y
	Cost	—	—	—	\$22	\$39	\$25
Targets for six communications performance areas	Target	baseline	3	3	4	4	5
	Result	5	4	3	4	4	5
	*	Y	Y	Y	Y	Y	Y
	Cost	—	—	—	\$7	\$12	\$8
<u>Longshore and Harbor Worker's Compensation Program</u> Days required to resolve disputed issues in contested cases	Target	279	273	245	250	248	baseline
	Result	266	247	254	235	230	239
	*	Y	Y	N	Y	Y	—
	Cost	—	—	—	\$6	\$6	\$4
<u>Division of Coal Mine Workers' Compensation</u> Average number of days to render a decision on a claim	Target	—	—	320	315	247	220
	Result	—	—	323	251	224	205
	*	—	—	—	—	Y	Y
	Cost	—	—	—	\$24	\$26	\$17
Percent change in Black Lung average medical treatment cost from the previous year compared to the National Health Expenditure Projection (NHEP)	Target	—	—	—	—	—	≤6.1%
	Result	—	—	—	—	—	+10%
	*	—	—	—	—	—	N
	Cost	—	—	—	—	—	\$2
<u>Energy Employees Occupational Illness Compensation Program (EEOIC)</u> Average number of days to process part B initial claims	Target	—	—	—	—	—	226
	Result	—	—	—	—	238	164
	*	—	—	—	—	—	Y
	Cost	—	—	—	—	—	\$60



Average number of days to process part E initial claims	Target	—	—	—	—	—	290
	Result	—	—	—	—	293	284
	*	—	—	—	—	—	Y
	Cost	—	—	—	—	—	\$58
Percent of Part B and Part E final decisions processed within 180 days where there is a hearing and within 75 days where there is no hearing	Target	—	—	—	80%	85%	87%
	Result	—	—	—	89%	88%	93%
	*	—	—	—	Y	Y	Y
	Cost	—	—	—	\$16	\$18	\$18
Goal Net Cost (millions)		—	—	\$6,131	\$2,130	\$3,554	\$3,693

Source(s): FECA Integrated Federal Employees' Compensation System, Federal agency payroll offices, Office of Personnel Management employment statistics, FECA Central Medical Bill Processing system, Milliman USA Cost Index Report, FECA Tele-communications system standard reports, FECA district office and national MIS reports, Longshore Case Management System, Black Lung Automated Support Package, and Energy Program Case Management System.

Legacy Data: Some indicators not shown for FY 2003-07. Complete indicators, targets and results for FY 2003-06 are available in the FY 2006 report at <http://www.dol.gov/sec/media/reports/annual2006/PGD.htm>. See Performance Goal 06-2.2C. Complete indicators, targets and results for FY 2007 are available at <http://www.dol.gov/sec/media/reports/annual2007/PGD.htm>. See Performance Goal 07-4B.

Program Perspective and Logic

Through the Employment Standards Administration's Office of Workers' Compensation Programs (OWCP), DOL protects workers, their dependents and survivors from the economic effects of work-related injuries and illnesses by providing wage replacement and cash benefits, medical treatment, vocational rehabilitation and other benefits through four disability compensation programs:

- Federal Employees' Compensation Act (FECA) program for civilian Federal workers,
- Longshore and Harbor Workers' Compensation for private-sector maritime workers,
- Black Lung Benefits program for coal miners, and
- Energy Employees Occupational Illness Compensation (EEOIC) for nuclear weapons employees of the Department of Energy or its contractors.

OWCP activities emphasize adjudicating claims and paying benefits accurately and in a timely manner, efficiently mediating disputed claims, assisting with injury recovery and return to work, controlling costs, providing responsive informational and other assistance to customers, and assisting employers with regulatory compliance and participation in program administration. OWCP examines the relationships among investments, activities and program results to allocate funds to achieve program goals.

Performance measures for this goal track the outcomes of key OWCP strategies and program priorities. Lost production day (LPD) rates capture time away from work in Federal employee injury cases. FECA uses nurse case managers and other strategies to coordinate medical care and assist with return to work to significantly reduce the LPD. Communications goals increase customer access to program information and responsiveness to customer requests for assistance. Periodic roll management generates benefit cost savings through the careful review of cases to determine if continued disability status is warranted and to determine the reemployment potential of those currently receiving compensation payments. The FECA and Black Lung programs measure themselves against nationwide indices to gauge their effectiveness in containing medical benefit costs. The Black Lung program measures average time to render claims decisions and its efficiency in producing quality decisions. By reducing the average processing time for disputed claims, the Longshore program contributes to its chief outcome of resolving claims appropriately and equitably at minimum cost to all parties. Effective dispute resolution works to reduce extended hearings and appeals processes by raising the quality of communications, medical evidence, mediation services, and clarity of decisions. The Energy program measures processing efficiency and service delivery time using two measures that track average days to process initial claims and the share of final decisions produced timely. Target levels take into consideration the differing complexities of Energy cases according to medical exposure and reported illness.



Several external factors challenge the achievement of the OWCP program mission. The number and types of jobs available for return to work placement are driven by employment and business technology trends—the modernization of U.S. Postal Service (USPS) operations and resulting elimination of traditional jobs and reductions in employment levels is one compelling example as evidenced by the recent increase in the LPD rate. These changes determine both the availability of jobs and their skill requirements for injured workers trying to return to duty. The trend in the nature of new injury cases and the type of assistance they require reflect an aging workforce. For example, while musculoskeletal injuries still predominate, back injuries that used to be the most common, are now accompanied by knee, hip and shoulder problems. The cost of medical care continues to rise with better and earlier diagnostic medical technology, medicines and treatment procedures. The nation’s expanded use of private contractor resources to support the wars in Iraq and Afghanistan has increased the number of deaths and injuries compensable under the Defense Base Act (DBA) and the War Hazards Compensation Act, both of which are administered by OWCP. New technologies and higher customer expectations continue to challenge OWCP to provide greater information at higher access speeds. The EEOIC program structure mandates that certain cancer claims be transferred to the Department of Health and Human Services’ National Institute for Occupational Safety (NIOSH). Length of processing times in these cases impacts EEOIC program performance.

Analysis and Future Plans

DOL substantially achieved this performance goal in FY 2008 by reaching nine of ten targets. The following results discussion is organized in three categories: Return to Work, Containing Program Costs, and Customer Service.

Returning Injured Employees to Work

Shortening the time out of work for injured workers is a major indicator of the FECA program’s effectiveness. The LPD is measured for each Federal agency’s cases within the first year from date of injury against the employment levels of those agencies. The rate (per 100 employees) is derived from that calculation. Both of FECA’s LPD targets were met in FY 2008 and the program remains on track to achieve its long-term LPD goals. The significant decrease in the average length of disability in FECA’s Quality Case Management cases – over 20 percent reduction in the past decade – contributed to this success. Under the President’s Safety, Health and Return-to-Employment (SHARE) initiative (for which Secretary Chao has the government-wide lead), non-Postal agencies reduced injuries, including an annual decrease in new lost-time injury claims over the last four years, and LPD rates. While the Postal Service LPD remains higher than most agencies, FECA met its LPD target in FY 2008.

USPS continued to report high levels of new lost-time injuries. Its employment levels have declined due in part to the automation of many job functions. USPS is also reviewing limited duty positions for elimination. Overall, fewer positions are available for reemploying and transitioning injured workers. In response, FECA adjusted out-year LPD targets to capture these external factors and will track additional measures linked to specific USPS strategies. For example, FECA established an operational goal for Postal workers affected by job eliminations who return to the FECA payment rolls. Through the vocational rehabilitation program, FECA aims to increase the number of claimants placed in jobs with new employers.

Containing Program Costs

Measured in financial terms, FECA outcomes reflect the efficiency and quality of benefit payment activities and the impact of case management and benefit services. FECA continues to meet the Periodic Roll Management (PRM) savings goal through its directed review of long-term disability cases to determine continued eligibility. Nearly half of the over 3,000 cases reviewed in FY 2008 produced cost savings of \$17 million. Since 1999, DOL has saved well over \$1 billion through PRM. FECA effectively manages medical costs through centralized bill processing, strengthened reviews of treatment authorization requests, fee schedules, and stronger automated edits and other controls. In FY 2008, the indexed rate of change in FECA average medical treatment costs indicator reached its target; it rose by 3.2 percent compared to the change rate of national health care costs of 8.5 percent projected by the Milliman USA Health Cost Index. Comparing the FECA medical cost growth rates to the nationwide rates since FY 2000 equates to (conservatively) a cost reduction of nearly \$30 million annually.





While working as a construction superintendent on a U.S. embassy project in Bogota, Colombia, Raymond developed an acute viral syndrome that led to severe cardiomyopathy. In 1995, he received an urgently needed heart transplant that was covered under the Defense Base Act and overseen by OWCP's Division of Longshore and Harbor Workers' Compensation (Longshore). In 2007, his transplanted heart began to weaken and his team of treating doctors recommended a re-transplant. The insurance carrier challenged the medical necessity of the procedure. The DOL claims examiner in Longshore's San Francisco office held an emergency conference with the attorneys of both parties that resulted in a strong recommendation that the carrier authorize the re-transplant. It was accepted and Raymond received a successful heart re-transplant in 2008. According to Raymond's attorney, "none of this would have happened without OWCP!" As demonstrated by Raymond's circumstances, the Longshore Division's role as mediator in claim-related disputes can positively and significantly impact the lives of individual claimants. Photo credit: DOL/ESA

The Black Lung Program reported baseline results of \$3,281 for the average medical cost containment indicator in FY 2008. The indicator compares the annual rate of change in average Black Lung Program medical costs for eligible miners to the annual change rate reported in the National Health Expenditure Projection (NHEP), a nationwide index published by Centers for Medicare and Medicaid Services, Office of the Actuary. The Black Lung Program did not reach its FY 2008 target to maintain costs at or below the NHEP projection of 6.1 percent. The increase in average per capita Black Lung medical treatment costs was due to a surge in the number of costly, compensable in-patient hospital billings in the third quarter. With a cohort of less than 10,000 covered former coal miners, a single procedure can significantly raise average costs. For example, a lung transplant could generate costs of \$250,000 to \$300,000 and raise the average per capita costs by more than \$25,000 to \$30,000 or one percent of the expected annual cost of medical treatment care. Average medical costs were well below the target for most of FY 2008 with the exception of a short period of time during the third quarter of FY 2008 when the surge in compensable in-patient hospital billings occurred. The Black Lung Program expects to achieve its long term targets and will continue to analyze the data to determine whether additional strategies are needed to achieve the goal.

Customer Service

To support its communications goal, FECA has established specialist positions, strengthened procedures, and instituted challenging performance standards in FECA field offices. Results include more than doubling the number of customers obtaining information from, or submitting documentation through, FECA automated systems. Since 2003, average caller wait times have been reduced by half; turnaround time to caller inquiries has been reduced by more than 70 percent; response effectiveness has improved by nearly 40 percent; 98 percent of calls meet program standards of quality; and, in 2008, FECA extended access to its Claimant Query System and doubled — to approximately 1.2 million — the number of Federal employees that can obtain information on their claims on line.

In FY 2008, the average time to resolve disputed issues in Longshore claims was 239 days, representing a nine day increase over the 2007 result. The significant increase in Defense Base Act (DBA) injury and death cases — from 347 cases in FY 2002 to 15,141 cases in FY 2007 — in connection with the wars in Iraq and Afghanistan prompted Longshore to establish a new baseline in FY 2008 and new targets for the out-years. OWCP will continue conducting outreach and working closely with parties to contested cases in order to reach a timely resolution.

The Black Lung Program achieved its target for claims processing. The processing timeliness indicator was refined in FY 2008 to better capture performance results by setting goals for four separate categories: Responsible Operator Merit Cases, Trust Fund Merit Cases, Responsible Operator Non-Merit Cases, and Trust Fund Non-Merit Cases. As a result of addressing these cohorts separately, the overall average claims processing time was reduced from 224 days in FY 2007 to 205 days in FY 2008. The Black Lung Program will continue to evaluate the target for this indicator to ensure that it is realistic in relation to performance results.

The Energy program's commitment to providing exceptional customer service is demonstrated by improving the timeliness of recommended claims decisions.



The program measures the average days to process initial claims for Part B and Part E claims separately due to the different exposures and conditions covered under each Part. The Energy program exceeded its initial processing performance measure for Part B claims with a result of 164 days against a target of 226 days, and Part E claims were processed in an average of 284 days against a target of 290 days. In addition, the Energy program measures efficiency and productivity in processing final decisions. This measure's primary focus is to increase the number of claimants who receive a final decision within the prescribed regulatory timeframes. In FY 2008, 93 percent of final decisions were issued within 180 days, against a target of 87 percent. During the FY 2010 budget review, the Energy program will evaluate the ambitiousness of FY 2009 and out-year targets based on FY 2008 results.

Costs for this performance goal rose by four percent (from \$3,554 million to \$3,693 million) from FY 2007-08. OWCP benefit expenditures rose by five percent reflecting regular cost-of-living increases and an increase in the proportion of Energy cases with higher benefit entitlements, including those for cancer, impairment and wage-loss. Other benefit cost changes included an increase in Black Lung Trust Fund interest payments and an upward adjustment in EEOIC program future liabilities. Administrative expenses were three percent lower (\$489 million vs. \$504 million) reflecting variations in the timing of contract obligations and expenditures from FY 2006 to FY 2008 and reductions in FY 2008 budget authority for the OWCP programs.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2008 (FECA)	Moderately Effective	http://www.whitehouse.gov/omb/expectmore/summary/10000334.2008.html
FY 2008 Progress on PART Improvement Plan		
<ul style="list-style-type: none"> Working with Congress to update the benefit structure, adopt best state practices, and convert benefits for retirement-age individuals to a typical retirement level. The FECA reform proposal is included in the FY 2009 President's Budget. Implementing recommendations from an independent evaluation to improve significant components of FECA processes, including industry best practices. Improvements being made to the COP (continuation-of-pay) Nurse program include an electronic means to receive reports from employing agencies when an injured employee has returned to work, a Web portal through which to receive reports from nurses in the field, and a standardized case evaluation guide for nurses Conducting preliminary work, including the development of a logic model, that will serve as a basis for a future impact evaluation of FECA's disability management activities and program effectiveness. A contract to evaluate the Quality Case Management and vocational rehabilitation processes in addition to developing a logic model has been awarded. 		
PART Year	Rating	PART Findings and Improvement Plan:
2005 (Longshore)	Adequate	http://www.whitehouse.gov/omb/expectmore/summary/10003904.2005.html
FY 2008 Progress on PART Improvement Plan		
<ul style="list-style-type: none"> Identifying reforms to strengthen the Longshore and Harbor Workers' Compensation Act. Pursuant to recommendation from a 2007 independent evaluation, Longshore expanded the number of offices handling Middle East Defense Base Act cases. Other recommendations (e.g., to improve program outcomes, increase efficiency) are under review. Evaluating proposed alternatives for modifying the automated claims system for tracking the benefit delivery services of employers and carriers and to allow comparisons with similar programs. Special Fund automated systems are being consolidated to enhance management controls, accuracy, and security. These changes will also improve efficiency; enhance maintenance controls; and streamline the process for recording, reviewing and approving procedures. Evaluating recent efforts to improve processes and controls in the program's disbursement system in response to shortcomings identified in a 2004 audit. Established a FY 2008 baseline specific to the increased workload resulting from Defense Base Act cases; will establish out-year targets for dispute resolution timeliness based upon the FY 2008 result. 		
PART Year	Rating	PART Findings and Improvement Plan:
2003 (Black Lung)	Moderately Effective	http://www.whitehouse.gov/omb/expectmore/summary/10001098.2003.html
FY 2008 Progress on PART Improvement Plan		
<ul style="list-style-type: none"> Establishing performance goals for the OALJ, BRB, and Solicitor that are ambitious and contribute to efficient 		



adjudication of Black Lung claims. DOL's Benefits Review Board and Solicitor now have performance measures and targets for their work related to the Black Lung program. The Department is also working with the Office of Administrative Law Judges to establish measures and targets for Black Lung claims.

- *Completing review of independent program evaluation recommendations for improved program performance measures and implement, as appropriate.* Some recommendations from a FY 2007 evaluation have already been implemented. The Department is implementing additional recommendations, including a revised method of calculating the accuracy of data entry and a new standard for measuring compliance with debt management standards.
- *Revising procedures for beneficiary and representative payee monitoring to better coordinate and further automate.* Revised procedures – which include annual reviews of beneficiary eligibility update questionnaires, establishment of standards for reviewing selection of representative payees, and accounting for benefits administered – have been established, and beneficiary and representative payee reviews are being monitored accordingly.

PART Year	Rating	PART Findings and Improvement Plan:
2007 (EEOIC)	Adequate	http://www.whitehouse.gov/omb/expectmore/summary/10009004.2007.html

FY 2008 Progress on PART Improvement Plan

- *Working with the National Institute for Occupational Safety and Health (NIOSH) to establish compatible timeliness measures that are consistent with program goals, and reporting performance against those goals.* The Department and NIOSH collaborated to establish NIOSH timeliness performance measures. Reporting against goals will be ongoing.
- *Obtaining an independent, comprehensive evaluation of the program.* In FY 2008, the Energy program underwent a management study to evaluate and recommend ways to enhance program operations; including an analysis of workflow, training, technology, workload, claims processing, and organization and management structure. In addition, a customer satisfaction survey will be conducted in FY 2009.
- *Improving coordination with State workers' compensation systems to prevent duplicate payments.* Cross-matching procedures were developed with the State of Ohio. This information will be used to help EEOIC coordinate Part E benefits with State workers' compensation benefits to eliminate duplication of payments.

"Evaluation of the Federal Employees' Compensation Program: Improved Early Disability Management," February 2008 (SRA International, Inc.)

Relevance: A process evaluation of the FECA Continuation of Pay Nurse Program recommended actions to improve the delivery of nurse intervention services to injured Federal workers during the initial 45 days (continuation-of-pay period) immediately following injury that considered industry best practices in early case intervention.

Findings and Recommendations:	Next Steps:
<ul style="list-style-type: none"> • Processes for nurse referrals, reporting, and information sharing with employing agencies are inconsistent among FECA offices; roles and responsibilities are not well understood; performance management and quality assurance is lacking; and there are communication and administrative delays. • Clarify purpose, objectives and outcomes; streamline the nurse referral process; speed reporting of return-to-work and filing of nurse reports; and improve information sharing with employing agencies 	<ul style="list-style-type: none"> • Providing an electronic capability for employing agencies to report when injured worker has returned to work; • Developing a Web portal for Continuation of Pay (COP) nurses for transmitting case status reports; • Publishing a standardized case evaluation guide.

Additional Information: Copies available from the Division of Federal Employees' Compensation, U.S. Department of Labor, Room S-3229, 200 Constitution Ave., N.W, Washington, D.C. 20210.

"Energy Employees Compensation – Actions to Promote Contract Oversight, Transparency of Labor's Involvement, and Independence of Advisory Board Could Strengthen Program," October 2007 (GAO)

Relevance: GAO examined the costs and oversight of NIOSH's contracts, the implementation of the conflict of interest policy for NIOSH and its contractors, the extent of Labor's involvement in NIOSH's activities and actions to deny benefits, and challenges to advisory board independence and options to enhance it.

Findings and Recommendations:	Next Steps:
<ul style="list-style-type: none"> • To increase transparency and facilitate congressional oversight of Labor's involvement in NIOSH activities, take steps to ensure that 	<ul style="list-style-type: none"> • DOL concurred with the GAO findings and recommendations. In 2008, OWCP implemented the recommendation to substantiate written comments on NIOSH documents with a



<p>comments on draft NIOSH technical documents and SEC petition evaluations more explicitly indicate how the comments are intended to promote clarity and consistency and thereby facilitate adjudication of claims.</p>	<p>rationale and basis.</p>
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Additional Information: The report (GAO-08-4) is available at <http://www.gao.gov/new.items/d084.pdf>.

“Federal Workers’ Compensation – Better Data and Management Strategies Would Strengthen Efforts to Prevent and Address Improper Payments,” February 2008 (GAO)

Relevance: GAO examined how effectively the Department of Labor’s Office of Workers’ Compensation Programs manages the risk of improper FECA compensation payments, what vulnerabilities, if any, exist in OWCP’s procedures for making FECA wage loss payments, and how well OWCP ensures the recovery of identified FECA overpayments.

<p>Findings and Recommendations:</p> <ul style="list-style-type: none"> • GAO estimated FY 2006 improper payments of \$13.3 million (approximately 0.7% of FY 2006 FECA compensation benefits paid); however, GAO acknowledged its estimation technique differed from OMB guidance on reporting erroneous payment rates. • The agency should revise its program performance measures to increase emphasis on payment accuracy, adequate internal controls, and overpayment recoveries. • Collect more detailed information on improper payments, such as the causes of overpayments and underpayments, and use these data to better identify improper payment risks and address areas of high risk. 	<p>Next Steps:</p> <ul style="list-style-type: none"> • OWCP’s Operational Plan for 2008 includes a new measure of the timely processing of identified overpayments (both pending and preliminary) that complements the existing timeliness measures. Further, the Department’s OMB Circular No. A-123 Reviews and DOL OIG’s annual audits further address qualitative issues, including a test of OWCP’s internal control process. • To further improve this process, OWCP is developing ways to collect information in the integrated Federal Employees’ Compensation System (iFECS) for the analysis of potential erroneous payments. Reason codes are being developed to help analyze the various types of overpayments. As for underpayments, one of the district offices is already conducting a pilot audit of potential erroneous payments that may be implemented on a national level.
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Additional Information: The report (GAO-08-284) is available at <http://www.gao.gov/new.items/d08284.pdf>.

“FY 2007 Longshore and Harbor Workers’ Compensation Act Special Fund Audit,” March 2008 (OIG)

Relevance: The OIG audited the financial statements of the Longshore and Harbor Workers’ Compensation Act Special Fund as of September 30, 2007, and for the year then ended.

<p>Findings and Recommendations:</p> <ul style="list-style-type: none"> • Establish formal policies and procedures for periodic review and analysis of outstanding accounts receivable and require more formal communication regarding credit and corrections between the program and accounting offices. • Establish and enforce more formal management review of journal entries, accounts receivable analysis, the allowance computation, and draft financial statements. 	<p>Next Steps:</p> <ul style="list-style-type: none"> • Formal procedures establishing monthly review and analysis of outstanding receivables with formal communication of credit and corrections between the program and accounting offices was implemented in FY 2008. • ESA has in place a formal process of review for all journal entries as well as the preparation of the Financial Statements. ESA will ensure that this process is strictly adhered to and that a thorough review takes place and includes all necessary signatures or initials.
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Additional Information: The report is available at <http://www.oig.dol.gov/public/reports/oa/2008/22-08-004-04-432.pdf>.

“FY 2007 District of Columbia Workmens’ Compensation Act Special Fund Audit,” March 2008 (OIG)

Relevance: The OIG audited the financial statements of the District of Columbia Workmens’ Compensation Act Special Fund as of September 30, 2007, and for the year then ended.

<p>Findings and Recommendations:</p> <ul style="list-style-type: none"> • Establish formal policies and procedures for periodic review and analysis of outstanding accounts receivable and require more formal communication regarding credit and corrections between the program and 	<p>Next Steps:</p> <ul style="list-style-type: none"> • Formal procedures establishing monthly review and analysis of outstanding receivables with formal communication of credit and corrections between the program and accounting offices were implemented in FY 2008. • ESA has in place a formal process of review for all journal entries
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- accounting offices.
- Establish and enforce more formal management review of journal entries, accounts receivable analysis, the allowance computation, and draft financial statements.

as well as the preparation of the Financial Statements. ESA will ensure that this process is strictly adhered to and that a thorough review takes place and includes all necessary signatures or initials.

Additional Information: The report is available at <http://www.oig.dol.gov/public/reports/oa/2008/22-08-005-04-432.pdf>.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*,⁵⁷ reflecting OWCP's long history of managing workers' compensation case record data and benefit payment histories. Performance measurement, also a long-standing priority for OWCP, relies primarily upon data extracted from internal automated case management and benefit payment systems. Technology upgrades to OWCP automated data systems have made possible more efficient reporting processes and improved statistical report design and content. Enhanced systems also enable OWCP to better test performance data, make quality improvements and increase accuracy. Outside sources, including other Federal agencies, the nationally known research institute, Milliman USA, and the Centers for Medicare and Medicaid Services Office of the Actuary within the Department of Health and Human Services, also provide performance data.

OWCP maintains strict oversight of data entry into its internal systems, with regular on-site review by local managers and formal periodic reviews that check the quality of the claims data record. Other quality tools include extensive checks and edits built into automated data processing system programming, second-tier certifications of claims and payment decisions, telephone call monitoring, and regular performance reviews by district management. Multiple OWCP analytical staff collaborate in the report production, data collection and results measurement processes. Performance results are reviewed frequently, in formal sessions, by OWCP management, which emphasizes a culture of performance accountability.

A fundamental challenge in delivering workers' compensation is to ensure proper payments while providing timely, responsive services to eligible claimants (see *Improving the Federal Employees' Compensation Act Program* in the Top Management Challenges section of Management's Discussion and Analysis). To that end, strengthening system controls to minimize improper payments remains an ongoing DOL priority. However, improper payments represent a very small portion of the \$2.6 billion in total annual FECA benefit payments. DOL's Office of the Chief Financial Officer determined a 0.1 percent error rate in an FY 2007 sampling of FECA payments.

OWCP continues to strengthen system controls. In FY 2008, the FECA program completed the adjustment and testing of the iFECs system to ensure that current medical information for claimants is on file (an OIG recommendation), so that payments are not made to those who are no longer disabled. OWCP also has remedial actions underway that address findings of an FY 2008 GAO report (GAO-08-486) that recommended a revision of the FECA program's performance measures to ensure increased emphasis on payment accuracy, adequate internal controls, and overpayment recoveries; and that the program collect more detailed information on improper payments and use these data to better identify improper payment risks and to address areas of high risk.

The Office of Inspector General determined that discovery and prevention of fraud would be assisted through the routine matching of FECA payment records against Social Security wage records to identify those who are collecting FECA benefits while working. In response to this finding, DOL has included an additional provision into its proposal to reform the FECA that would provide the legal authority to conduct these matches. The FECA reform proposal, which also includes provisions to enhance incentives for injured employees to return to work and address benefit equity issues, was included in the 2009 President's Budget.

⁵⁷ Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.



Ensure union financial integrity, democracy, and transparency.



Performance Goal 08-4C (ESA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2006 Goal Not Achieved	FY 2007 Goal Sub- stantially Achieved	FY 2008 Goal Not Achieved
Percent of unions with fraud	Target	8%	7.5%	7%
	Result	8%	7%	7.6%
	*	Y	Y	N
	Cost	\$18	\$35	\$29
Ratio of criminal cases to targeted audits	Target	—	—	baseline
	Result	—	—	11.5%
	*	—	—	—
	Cost	—	—	—
Percent of union reports meeting standards of acceptability	Target	96%	97%	97%
	Result	93%	95%	95%
	*	N	I	N
	Cost	\$8	\$16	\$11
Percent of unions filing reports electronically	Target	—	—	baseline
	Result	—	—	20%
	*	—	—	—
	Cost	—	—	—
Percent of unions in compliance with Labor-Management Reporting and Disclosure Act (LMRDA) standards for democratic union officer elections	Target	Baseline	92.5%	93%
	Result	92%	92.3%	91.3%
	*	Y	I	N
	Cost	\$11	\$13	\$14
Number of days to resolve union officer election complaints	Target	—	—	baseline
	Result	—	—	92
	*	—	—	—
	Cost	—	—	—
Goal Net Cost (millions)		\$56	\$68	\$58

Source(s): OLMS union compliance audit information and e.LORS data system.

Note: Costs for this goal are net costs as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis.

Allocations among the three enforcement areas are provided opposite the old indicators for FY 2006-07 and opposite the new indicators for FY 2008.

Program Perspective and Logic

The Employment Standards Administration's Office of Labor-Management Standards (OLMS) ensures union transparency, financial integrity, and democracy by administering and enforcing the Labor-Management Reporting and Disclosure Act (LMRDA). The LMRDA requires public disclosure reporting by unions and others, establishes standards for union officer elections, and imposes criminal sanctions for embezzlement of union funds. To implement the LMRDA protections, OLMS conducts criminal and civil investigations and union audits, and administers the reporting and public disclosure program.



Union transparency underpins the achievement of union democracy and financial integrity objectives. OLMS measures transparency by tracking the acceptability — compliance with a series of filing standards — of union financial reports filed for public disclosure. The 2003 baseline revealed that approximately 73 percent of union reports met standards of acceptability. Since the FY 2003 baseline of 73 percent, OLMS has consistently achieved compliance rates exceeding 90 percent for the last four years.



OLMS Investigator Robert Loniewski (standing) and Assistant United States Attorney Richard Resnick of the Western District of New York review the facts of the case prior to a court appearance regarding an OLMS investigation. This investigation resulted in the conviction of a former employee who embezzled more than \$17,000 from a labor union. The employee was ordered to make full restitution to the union and was placed on probation for five years. Photo credit: DOL/ESA/OLMS

OLMS measures the effectiveness of its audit and embezzlement investigations by tracking indicators of fraud in a random sample of audited unions. OLMS did not reach its FY 2008 target. However, since 2004, union audits with indicators of fraud have decreased by 1.4 percent — from nine percent to 7.6 percent in FY 2008. The same sampling also determines whether unions are in compliance with critical LMRDA standards for democratic union office elections, such as the timely notification of elections. While OLMS did not reach the target for this indicator, the compliance rate decreased by two percent between FY 2007 and FY 2008 (95 percent versus 93 percent), but remains high overall.

Approximately 25 percent of OLMS resources support the agency’s Internet public disclosure system and a wide range of compliance assistance, liaison, enforcement, and regulatory activities to increase union transparency and LMRDA reporting compliance. OLMS dedicates more than 50 percent of its annual resources to support a program of audits and criminal investigations to protect the millions of dollars in dues paid by labor union members. OLMS dedicates about 20 percent of its annual budget to investigating union member complaints of election misconduct and

supervising union officer election reruns to assure compliance with LMRDA union democracy provisions.

Analysis and Future Plans

Despite the decreased performance from FY 2007, the level of performance remains high. These results further support OLMS’ intent to transition to new performance measures, which clearly demonstrate room for improvement. In 2008, OLMS began developing strategies to achieve success under the new performance goals, including additional internal measures for the timely resolution of union member complaints. OLMS has also identified barriers to submitting union reports electronically, including specific recommendations from a cost-benefit analysis of its electronic reporting and disclosure system.

In 2008, OLMS established the baseline results for three performance measures that will replace the current measures. As demonstrated by prior year results, OLMS has achieved consistently high performance in the current measurement areas. To promote targeted program improvements, the new measures more narrowly focus on key program processes. In addition, the union fraud and democracy measures will no longer rely upon random audits, thereby redirecting resources to targeted enforcement activities.

- *Union Transparency.* OLMS aims to increase the *percent of union financial reports filed electronically* to improve their accuracy, completeness, and timeliness for public disclosure on the OLMS Web pages.



- *Financial Integrity.* OLMS aims to more effectively and accurately identify cases of fraud and embezzlement, which will be measured as the *percent of audits resulting in the opening of a criminal case.*
- *Union Democracy.* OLMS aims to improve the timely resolution of union election complaints, which will be measured by the *days to resolve the complaints.*

A major challenge is the increased complexity of union financial investigations. By employing improved analytical tools and using statistical techniques to identify anomalies in union financial reports, OLMS will strive to more effectively identify criminal violations. OLMS will continue efforts to identify procedures that can be streamlined in order to better serve its constituents.

Net costs associated with this performance goal decreased by fifteen percent from FY 2007-08, mostly due to a shift in OIG audit and investigative priorities.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2005	<i>Adequate</i>	http://www.whitehouse.gov/omb/expectmore/summary/10003903.2005.html
FY 2008 Progress on PART Improvement Plan		
<ul style="list-style-type: none"> • <i>Developing and implementing specific performance indicators to measure agency progress towards ensuring union democracy.</i> OLMS piloted a measure of compliance with LMRDA election standards, but in 2008 has developed a timeliness measure that will not rely on a random sample of audited unions for data and will replace the current democracy measure. • <i>Conducting an external review of program processes to identify areas for improvement.</i> In 2007, OLMS underwent an evaluation of its reporting and disclosure program. In 2008, a subsequent cost-benefit analysis recommended ways to improve the electronic filing process for unions, which are currently under review. In 2009, OLMS will undergo another program evaluation that will strictly focus on improving the efficiency of its manual filing process, which remains the predominant filing method for Labor-Management forms. Recommendations will also focus on ways to improve the quality of the forms published online. • <i>Working with Congress to obtain the authority to impose civil monetary penalties on organizations and individuals who fail to comply with the reporting requirements of the Labor Management Reporting and Disclosure Act.</i> OLMS is working with Congress to obtain the authority to implement civil and monetary policies for organizations and individuals who fail to comply with the LMRDA. In 2008, legislation was introduced in both chambers of Congress (S. 2878 and H.R. 5775) that would provide OLMS with this authority. 		
“Labor-Management Reporting and Disclosure Program Evaluation,” March, 2008 (ERG)		
Relevance: This study evaluated the OLMS electronic reporting and disclosure system and made recommendations for its improvement. The system is vital to reporting and disclosure and to overall administration of the LMRDA program.		
Findings and Recommendations:		Next Steps:
<ul style="list-style-type: none"> • The evaluation found that, while a rich data source, the present user interfaces of the Internet Public Disclosure system were confusing. A series of recommendations that would make the system more intuitive for users and thus make information more accessible were presented by the evaluators. 		<ul style="list-style-type: none"> • OLMS is in the process of implementing a number of the proposals made to improve the system.
Additional Information: A copy of the complete report can be obtained from the Office of Labor-Management Standards, Office of Policy, Reports, and Disclosure, U.S. Department of Labor, FPB N5609, 200 Constitution Ave., NW, Washington, D.C. 20210 or by calling (202) 693-1233.		



Data Quality and Top Management Challenges

Data quality for this performance goal was rated *Good*.⁵⁸ OLMS had relied on annual survey data to report for measurement of performance goals. By replacing the studies presently being used for its performance goals, OLMS expects to greatly improve data quality in all areas. OLMS uses its Case Data System to track investigations and performance. The electronic reporting and disclosure database provides quick access to accurate and timely union financial data. OLMS is in the process of implementing three new performance measures. Each of these measures will rely on data from either the Case Data System or the Electronic Labor Organization Reporting System. Both are mature, robust systems, and OLMS expects that the data retrieved from these systems will allow the Office to track long-term trends and identify areas in which program operations can be improved. OLMS will continue to promote the use of electronic filing for union financial reports that will enable additional error checking for data accuracy. Further, because the data used for performance measurement is available in databases routinely used for agency management, no additional resources will be required to maintain and update the data set, thus improving reporting efficiency over prior efforts which required additional effort to acquire and collate required data.

⁵⁸ Information on DOL's Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.





Enhance pension and health benefit security.

Performance Goal 08-4D (EBSA)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2005 Goal Achieved	FY 2006 Goal Achieved	FY 2007 Goal Achieved	FY 2008 Goal Achieved
Ratio of criminal cases accepted for prosecution to cases referred	Target	—	—	48%	50%
	Result	—	—	67%	74%
	*	—	—	Y	Y
	Cost	—	—	\$103	\$102
Ratio of closed civil cases with corrected fiduciary violations to civil closed cases	Target	—	—	61%	64%
	Result	—	—	69%	70%
	*	—	—	Y	Y
	Cost	—	—	—	—
Applications to Voluntary Compliance programs	Target	8,340	13,500	13,838	21,000
	Result	14,082	17,214	20,123	28,261
	*	Y	Y	Y	Y
	Cost	—	—	—	—
Goal Net Cost (millions)		\$160	\$179	\$176	\$170

Source(s): Enforcement Management System (EMS) and Delinquent Filer Voluntary Compliance (DFVC) Tracking System.

Legacy Data: Some indicators not shown for FY 2005-07. Complete indicators, targets and results for FY 2003-06 are available in the FY 2006 report at <http://www.dol.gov/sec/media/reports/annual2006/PGD.htm>. See Performance Goal 06-2.2C. The customer satisfaction indicator was dropped this year; FY 2007 results are available at <http://www.dol.gov/sec/media/reports/annual2007/SG4.htm> (Performance Goal 07-4D).

Note: Costs for this goal are net costs as defined in a footnote to the Cost of Results discussion in Management's Discussion and Analysis. The cost listed for the first indicator also includes the costs associated with the civil ratio measures. Costs are not allocated to the indicator level for the civil and criminal ratio measures because these programs are not separable into individual costs.

Program Perspective and Logic

The Employee Benefits Security Administration (EBSA) is responsible for ensuring compliance with the Employee Retirement Income Security Act (ERISA). EBSA's activities are essential to maintaining the public's trust and confidence in the employee benefits system. By achieving successful civil and criminal case closure and acceptance rates, DOL demonstrates its success in identifying and pursuing wrongdoers. By providing outreach and education and directly assisting plan participants, beneficiaries, employers and plan officials in understanding their rights and responsibilities under the law, DOL helps ensure workers' and retirees' benefits are protected.

EBSA oversees benefit security for nearly 700,000 private retirement plans, 2.5 million health plans, and similar numbers of other welfare benefit plans, such as those providing life or disability insurance. Benefit plans under EBSA's jurisdiction cover approximately 150 million participants and beneficiaries and over \$5 trillion in assets.

Analysis and Future Plans

EBSA achieved its performance goal. The agency reached its performance target for the ratio of closed civil cases with corrected fiduciary violations to closed civil cases. With respect to criminal case work, EBSA reached its target to report cases accepted for prosecution. In 2008, EBSA began implementing a regulation that provides a safe harbor for assessing the timeliness of forwarding participant contributions to 401(k) plans with less than 100 participants. The regulation defines the period under which participant contributions to a small plan will be deemed to be made in compliance with the law. This safe harbor regulation could substantially impact both the civil and criminal enforcement programs because approximately one-third of all investigations conducted by EBSA focus on this issue. EBSA has historically found and corrected violations in a high percentage of these cases. The



new regulation, which provides plan sponsors with a bright line rule to follow, could materially reduce EBSA’s enforcement ratios, because there may well be fewer violations – the intended purpose of the regulation. It is difficult, however, to predict the magnitude of the impact. EBSA will analyze the impact of the regulation subsequent to FY 2008 results and adjust its performance targets, as necessary.

National Enforcement Initiatives		
Each Indicator is the Ratio of Closed Cases with Corrected Fiduciary Violations to total closed cases		
Employee Contribution Project	Target	80%
	Result	83%
Employee Stock-Ownership Plans	Target	61%
	Result	56%
Multiple Employer Welfare Arrangements	Target	58%
	Result	77%
Rapid ERISA Action Team	Target	51%
	Result	68%
Consultant/Advisor Project (CAP)	Target	baseline
	Result	—

Each of the indicators in the table to the left are component indicators of the broader “Ratio of closed civil cases with corrected fiduciary violations to civil closed cases” indicator whose performance is presented in the table on the preceding page. These indicators monitor the success of five critical national enforcement priority initiatives. The agency measures the success of these initiatives through ratio performance measurements (see table). The composition of these

performance measures may change from year-to-year as the agency satisfies its commitments and assumes new priorities. The Consultant Advisor Project (CAP) ratio, which includes a small number of carefully targeted cases and focuses on the receipt of improper, undisclosed compensation by pension consultants and other investment advisers, is a new program with extremely complex and time consuming cases; baseline data are being collected. EBSA exceeded its targets for the Employee Contribution, Multiple Employer Welfare Arrangements, and Rapid ERISA Action Team projects. Although EBSA did not reach its Employee Stock Ownership Plans project target, the result was a significant improvement over FY 2007. EBSA is reviewing the strategies to improve performance further.

EBSA investigated a health plan responsible for providing benefits to more than 1,000 restaurant and bar workers in New Jersey and discovered more than 10,000 unpaid medical claims. In addition, service providers to the health plan had charged excessive administrative fees. The Department sued, and in February 2008, the court approved a settlement and appointed an independent fiduciary to take over the plan. The defendants paid \$2.3 million to the plan and were barred from ever serving as a fiduciary or service provider to any other ERISA-covered benefits plan.

EBSA reached its voluntary compliance target in FY 2008. EBSA continued to monitor its compliance assistance measure that demonstrates achievements in voluntary compliance programs, such as the Voluntary Fiduciary Correction Program and the Delinquent Filer Voluntary Compliance Program. To meet the demands of a rapidly changing and complex employee benefits environment, EBSA will deter and correct violations of relevant statutes, facilitate compliance assistance by plan sponsors, plan officials, providers of services to benefit plans, and other members of the regulated community; and assist workers in understanding their rights and responsibilities via aggressive, grassroots outreach and education.

In addition, EBSA continued to assist workers in getting the information they need to exercise their rights, assist plan officials to understand the requirements of the law, and develop policies and regulations that encourage the growth of benefits. This year, Benefit Advisors continued to provide superior participant assistance by responding to 99 percent of all written inquiries within 30 days of receipt and responding to over 99 percent of telephone inquiries by the close of the next business day. In FY 2008, DOL obtained monetary results of approximately \$1.2 billion. Monetary results are a product of EBSA's investigative, compliance and participant assistance activities.

Last year, the Gallup Organization deemed certain aspects of the agency’s customer service program as *World Class*, a designation reserved for only the highest performing organizations. In 2008, the General Services



Administration recognized the EBSA Participant Assistance Program with its first-annual Citizen Service Award for excellence in customer service. To continue customer service improvement, EBSA completed work with Gallup to evaluate a Regional office experiencing challenges with customer satisfaction. Through this evaluation, EBSA identified several barriers to customer service success as well as actionable recommendations that would mitigate or eliminate the barriers. Regional staff received customized training incorporating this barrier analysis.

EBSA investigated a Jacksonville, Florida building contractor's profit sharing plan and determined that the building contractor had withdrawn all of the assets from the plan and used them to operate his business, contrary to law. As a result of the Department's efforts, the building contractor restored \$194,109 to the plan for the benefit of 11 participants.

In 2008, EBSA also continued its critical regulatory role implementing the Pension Protection Act (PPA) of 2006. The President signed the PPA to protect workers and retirees and to encourage continued sponsorship of pension plans. EBSA has the primary responsibility for developing more than two dozen regulations to implement the PPA. EBSA is working closely with the other ERISA agencies (i.e., the Internal Revenue Service and the Pension Benefit Guaranty Corporation) to coordinate respective regulatory and guidance efforts to implement the PPA.

The three percent decrease in net cost of this performance goal between FY 2007 and FY 2008 reflects changes in administrative expenses.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2004	Moderately Effective	http://www.whitehouse.gov/omb/expectmore/detail/10000338.2004.html
FY 2008 Progress on PART Improvement Plan		
<ul style="list-style-type: none"> Implementing program improvements based on the independent evaluations completed or currently underway. EBSA implemented program improvements recommended in the Gallup Organization Compliance Assistance evaluations. Developing ways to quantify and reduce the burden imposed by EBSA's regulations. Independent evaluator completed its second year regulatory review confirming that EBSA's evaluative process for cost-benefit analysis remains sound. Continuing to support pension reform to ensure promises to employees are kept. To date, EBSA has issued or undertaken 24 PPA-related regulatory or guidance actions. 		
"EBSA Analysis of Compliance Assistance Programs," December 2007 (Gallup Organization)		
Relevance: The purpose was to understand and to improve customer service of the EBSA Compliance Assistance Program.		
Findings and Recommendations:		Next Steps:
<ul style="list-style-type: none"> Performance data indicated 82% of customers believe they received above average service from EBSA and evaluators concluded that improving customer satisfaction is within the control of employees. The evaluator recommended that EBSA ensure effective selection, training, and rewarding of employees; develop regular opportunities to share new ideas and practices among the numerous EBSA offices; conduct regular workforce planning exercises to ensure customer needs are met in timely manner; and foster a culture of commitment to improving customer service by sharing survey results with all employees and continuously engaging in dialogue about how to improve results. 		<ul style="list-style-type: none"> All program offices responsible for compliance assistance developed a performance improvement action plan responsive to their unique findings as provided by Gallup. Offices will be implementing improvement plans, as necessary.
Additional Information: A copy of the complete report can be obtained from the Employee Benefits Security Administration, 200 Constitution Avenue, N.W., Room N-5625 Washington, DC, 20210, or by calling 202-693-8655.		



“EBSA Barrier Analysis of Customer Satisfaction and Engagement,” November 2007 (Gallup Organization)	
Relevance: This study followed up on a Gallup survey indicating a regional office faced unique customer service challenges.	
<p>Findings and Recommendations:</p> <ul style="list-style-type: none"> The evaluator identified barriers to excellent customer service and recommended that EBSA (1) Clearly define supervisor role and ensure measuring and monitoring of team progress; (2) Identify long-term customer service goals and specific activities to produce results; (3) Conduct regular biweekly meetings and formal biannual training sessions; and (4) Develop clear framework for handling participant inquiries. 	<p>Next Steps:</p> <ul style="list-style-type: none"> Regional leadership will implement a customer service improvement plan that was developed using recommendation from the Gallup evaluation. Regional office staff will participate in customized training that incorporates the specific results of the barrier analysis as well as training in how to provide excellent customer service based on Gallup’s many years of expertise.
Additional Information: A copy of the complete report can be obtained from the Employee Benefits Security Administration, 200 Constitution Avenue, N.W., Room N-5625 Washington, DC, 20210, or by calling 202-693-8655.	
“Regulatory Review for the Employee Benefits Security Administration,” June 2008 (ICF International)	
Relevance: The review results will guide and inform the regulatory decision-making process through regulatory analysis. EBSA is required, under Executive Order 12866, to conduct cost-benefit analyses of “economically significant” regulations.	
<p>Findings and Recommendations:</p> <ul style="list-style-type: none"> The evaluator found that benefits of the Participant Fee Disclosure Proposed Regulation outweigh the costs. EBSA’s evaluative process for cost-benefit analysis is sound. For large rules, the process is largely consistent with OMB guidance and standard economic practice. To improve the regulatory analysis, the evaluator recommended that EBSA treat regulatory alternatives with more analytical rigor, increase the scope of alternatives considered, and include comparisons of the costs and benefits of possible alternatives in the decision making process. Regulatory training to junior economic staff to expedite the Regulatory Impact Assessment (RIA) development process would also improve the analysis. 	<p>Next Steps:</p> <ul style="list-style-type: none"> EBSA will consider the data and information needs of its regulatory analysis team when awarding research contracts in 2008. EBSA intends to use the expertise of its contractors in regulatory analysis, as appropriate. EBSA will conduct in-house training sessions relating to economic analysis of regulatory initiatives and intends to make further training opportunities available to staff.
Additional Information: A copy of the complete report can be obtained from the Employee Benefits Security Administration, 200 Constitution Avenue, N.W., Room N-5625 Washington, DC, 20210, or by calling 202-693-8655.	

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Excellent*.⁵⁹ EBSA’s Enforcement Management System (EMS) provides the data for the enforcement ratios. EBSA’s quality assurance processes require that individuals not directly involved with the investigation at hand approve all case openings. Cases with monetary results receive several levels of scrutiny, including national office oversight and review. Additionally, EBSA uses a peer review method to conduct quality assurance of randomly selected closed cases. The Voluntary Fiduciary Correction Program data is maintained in the EMS and the Delinquent Filer Voluntary Compliance Program tracking system.

The Inspector General has listed “*Ensuring the Security of Employee Benefit Plan Assets*” (see the Top Management Challenges section of Management’s Discussion and Analysis) as a major challenge for EBSA that cites benefit plan audits, benefit plan fraud, and corrupt multiple employer welfare arrangements as areas of concern. Because these risks go to the heart of EBSA’s goal to secure pension and health plans, the agency has taken specific actions, including strengthening benefit plan audits through increased oversight of accounting firms, meeting ambitious targets for civil and criminal cases, and vigorously pursuing fraudulent multiple employer welfare arrangements.

⁵⁹ Information on DOL’s Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.



Improve the pension insurance program.



Performance Goal 08-4E (PBGC)

Indicators, Targets and Results

*Indicator target reached (Y), improved (I), or not reached (N)		FY 2004 Goal Not Achieved	FY 2005 Goal Not Achieved	FY 2006 Goal Not Achieved	FY 2007 Goal Sub- stantially Achieved	FY 2008 Goal Not Achieved
Customer Satisfaction score for premium filers	Target	71	72	74	68	69
	Result	69	68	68	70	72
	*	N	N	N	Y	Y
Customer Satisfaction score for trustee plan participant callers	Target	77	78	80	80	80
	Result	78	79	75	78	81
	*	Y	Y	N	I	Y
Customer Satisfaction score for retirees receiving benefits from the PBGC	Target	—	84	84	85	85
	Result	—	85	85	88	89
	*	—	Y	Y	Y	Y
Number of years between the date of Trusteeship and the date the Benefit Determination is issued	Target	—	—	—	—	3.0
	Result	—	—	—	3.0	3.3
	*	—	—	—	—	N

Source(s): American Customer Satisfaction Index (ACSI) and Federal Register.

Legacy Data: Some indicators not shown for FY 2007. Results for the three indicators that were dropped are available at <http://www.dol.gov/sec/media/reports/annual2007/SG4.htm>. See Performance Goal 07-4E.

Note: Costs are not provided because the PBGC is not included in the Consolidated Statement of Net Costs. However, in accordance with the requirements of the Government Performance and Results Act (GPRA), the PBGC's performance reporting is included in this report because its performance goals are included in the Department's performance budget.

Program Perspective and Logic

The Pension Benefit Guaranty Corporation (PBGC) operates in accordance with policies established by its Board of Directors: the Secretaries of Labor (Chairman), Commerce and Treasury. PBGC protects the retirement incomes of 44 million American workers in over 30,000 defined benefit pension plans, which provide specified monthly benefits at retirement, often based on salary and years of service. The Corporation safeguards the pension insurance program and provides exceptional service to its customers, while it exercises effective stewardship over its resources. It is responsible for the current and future pensions of about 1.3 million people, including those who have not yet retired and participants in multiemployer pension plans receiving financial assistance.

PBGC receives no funds from general revenues. Operations are financed by insurance premiums set by Congress and paid by sponsors of defined benefit plans, investment income, assets from pension plans trusted by PBGC, and recoveries from the plans' former corporate sponsors. However, the PBGC's premium structure does not adequately reflect the risks posed by individual plans. While the Deficit Reduction Act and the Pension Protection Act, both enacted in 2006, made significant structural changes to the defined benefit system, they did not fully address the Corporation's long-term challenges. Although current assets are sufficient to meet liabilities for a number of years, the PBGC does not have the resources to fully satisfy its long-term obligations to plan participants. Further reforms are needed to address a large gap between assets and liabilities (\$11 billion as of 9/30/2008).

PBGC uses the American Customer Satisfaction Index (ACSI) survey methodology to monitor its progress in meeting the needs and expectations of participants, premium filers, and other stakeholders. Using ACSI survey results, PBGC evaluates the effectiveness of its services to customers and makes targeted improvements. Another key



measure of PBGC mission effectiveness is the time required to provide participants with a final determination of their benefits. To address the shortage of resources needed to satisfy long-term plan obligations, this year PBGC will provide an analysis of options for improving the pension insurance program’s financial condition.

Analysis and Future Plans

In FY 2008, PBGC met or exceeded its targets for most of its performance indicators. As demonstrated in the chart, the result for the premium filer customer satisfaction indicator was 72, up two points from last year's record high of 70.



This improved satisfaction can be attributed to two new avenues for providing information to practitioners – a free online subscription service and frequently asked questions (FAQs) on the Web site as well as expanded hours of customer support at peak filing times. The ACSI score for participant callers to the Customer Contact Center was 81 this year, up three points from last year – a record high for PBGC. This improved satisfaction can be attributed to increased training of Contact Center staff to ensure callers receive high-quality service. Retirees scored PBGC’s service at 89, maintaining a consistently high level of

satisfaction of services from PBGC. Finally, PBGC did not meet its target for the average time (number of years) to issue benefit determinations, which increased to 3.3 years from 3 years. The issuance of very complex determinations from plans trusted in 2004 and 2005 adversely impacted performance measurement and will continue to impact 2009 performance. Process improvement efforts underway should streamline the benefit determination process and reduce process times in the future.

Through the 2007 PART process, PBGC established a qualitative performance goal to “commit to eliminate PBGC’s deficit and account for PBGC’s expected losses.” While PBGC alone cannot fix the Corporation’s solvency problems, the agency is actively supporting efforts to eliminate its deficit and account for its expected losses by providing research and analytical support to Administration policymakers and Congress as they consider alternative reform efforts. To address the shortage of resources needed to satisfy long-term plan obligations, this year PBGC began an analysis of options for improving the pension insurance program’s financial condition. The Corporation expects to complete this report in early calendar year 2009.

PART, Program Evaluations and Audits

PART Year	Rating	PART Findings and Improvement Plan:
2007	Moderately Effective	http://www.whitehouse.gov/omb/expectmore/summary/10002382.2007.html
FY 2008 Progress on PART Improvement Plan		
<ul style="list-style-type: none"> Refining and maturing the new certification and accreditation process for deployment of major systems and General Support System using relevant information technology (IT) guidelines. In June 2008, PBGC completed its first milestone by developing a comprehensive approach to information and infrastructure security by finishing its IT Certification and Accreditation process for the corporation’s general support systems and major applications. Educating the public on the issues facing the private defined benefit pension system and working with Congress on legislative reforms to enable the PBGC to meet its long-term obligations to retirees. PBGC will complete its first report in early calendar year 2009. Using the information PBGC collects to mitigate risk and prepare for workload changes associated with pension plan terminations. PBGC increased communication among its operating units through weekly updates that focus on likely plan terminations to better prepare for workload changes and mitigate risk. 		



**“Pension Benefit Guaranty Corporation: A More Strategic Approach Could Improve Human Capital Management,”
June 2008 (GAO)**

Relevance: GAO analyzed PBGC’s workforce to assess whether it is well positioned to fulfill its promise to retirees who depend on it to protect their pension benefits.

Findings and Recommendations:

- Integrate workforce and succession planning into human capital planning, systematically collect and analyze workforce data, and fully explore compensation options under the PBGC’s statutory authority.

Next Steps:

- In the fall of 2008, PBGC submitted a formal, comprehensive human capital plan to the Office of Personnel Management and OMB; and developed a plan to improve collection and analysis of workforce data.
- The PBGC continues to explore compensation options.

Additional Information: The report (GAO-08-624) is available at <http://www.gao.gov/new.items/d08624.pdf>.

“PBGC Assets: Implementation of New Investment Policy Will Need Stronger Board Oversight,” July 2008 (GAO)

Relevance: GAO assessed PBGC’s procedures for developing and implementing investment policies and its most recent investment policy for potential risks and benefits.

Findings and Recommendations:

- Improve Board of Directors monitoring of progress in achieving investment policy goals and analyze the new investment policy to gauge the potential risk of new investment allocations.

Next Steps:

- PBGC will perform sensitivity analyses.

Additional Information: The report (GAO-08-667) is available at <http://www.gao.gov/new.items/d08667.pdf>.

“Pension Benefit Guaranty Corporation: Some Steps Have Been Taken to Improve Contracting, but a More Strategic Approach is Needed” September 2008 (GAO)

Relevance: GAO assessed the role contracting plays in PBGC’s efforts to accomplish its mission and the steps PBGC has taken to improve acquisition infrastructure and contract oversight.

Findings and Recommendations:

- Provide additional oversight of contracts and focus on outcomes rather than processes.
- Reflect the importance of contracting within the agency’s strategic plan and better link staffing and contracting decisions in achieving the Corporation’s mission.

Next Steps:

- PBGC is considering these recommendations and will determine courses of action by mid-November 2008.

Additional Information: The report (GAO-08-871) is available at <http://www.gao.gov/new.items/d08871.pdf>.

Data Quality and Top Management Challenges

Data quality for this performance goal is rated *Very Good*.⁶⁰ PBGC moved from a rating of *Data Quality Not Determined* in 2007 to *Very Good* this year with the addition of the benefit determination timeliness measure. The timely issuance of the benefit determination is an important outcome for PBGC beneficiaries. By moving beyond customer service and including an important dimension of PBGC’s operations – benefit determinations – PBGC satisfied the criterion of relevance.

Top management challenges include governance of PBGC, information security and implementation of the pension reforms in the Pension Protection Act. To address the governance issues, the Board of Directors amended PBGC by-laws to streamline processes and clarify the roles and responsibilities of the Board, Board Representatives and PBGC Director. Continuing with its comprehensive approach to information and infrastructure security and to address information technology security concerns, PBGC completed IT Certification and Accreditation of its general support systems and major applications. This long-term effort will conclude in 2011. Following enactment of the Deficit Reduction Act and the Pension Protection Act in 2006, PBGC focused on drafting regulations to implement the premium reforms. At the end of March 2008, PBGC published final regulations that amend premium rates and payment, and change the variable-rate premium for plan years beginning on or after January 1, 2008.

⁶⁰ Information on DOL’s Data Quality Assessments, conducted annually for each performance goal, can be found in the Introduction to the Performance Section.

