

FY 2009

CONGRESSIONAL BUDGET JUSTIFICATION

PENSION BENEFIT GUARANTY CORPORATION

PENSION BENEFIT GUARANTY CORPORATION

PERFORMANCE BUDGET

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PENSION BENEFIT GUARANTY CORPORATION

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APPROPRIATION LANGUAGE

The Pension Benefit Guaranty Corporation is authorized to make such expenditures, including financial assistance authorized by *Title IV* [subtitle E of Title IV] of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 4201 et seq.), within limits of funds and borrowing authority available to such Corporation, and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act, as amended (31 U.S.C. 9104)[,] as may be necessary in carrying out the program, including associated administrative expenses[, through September 30, 2008] for such Corporation: *Provided, That \$444,721,996 for administrative expenses* [none of the funds available to the Corporation] for fiscal year [2008] *2009 shall remain available until expended:* [be available for obligations for administrative expenses in excess of \$411,151,000] *Provided further, That to the extent that the number of new plan participants in plans terminated by the Corporation exceeds 100,000 in fiscal year [2008] 2009, an amount not to exceed an additional \$9,200,000 shall be available for obligation for administrative expenses for every 20,000 additional terminated participants: Provided further, in addition to the amounts provided above, additional funds shall be made available for obligation to fund investment management fees for assets received by the Pension Benefit Guaranty Corporation as a result of new plan terminations, as a result of asset growth or as a result of changes in investment policy as approved by the Board; Provided further, That obligations in excess of the amounts provided above may be incurred for unforeseen and extraordinary pre-termination expenses after approval by the Office of Management and Budget and notification to the* [That an additional \$50,000 shall be made available for obligation for investment management fees for every \$25,000,000 in assets received by the Corporation as a result of new plan terminations, after

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approval by the Office of Management and Budget and notification of the] Committees on Appropriations of the House of Representatives and the Senate. (*Department of Labor Appropriations Act, 2008.*)

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EXPLANATION OF LANGUAGE CHANGE

The suggested language provides continued oversight by DOL, OMB and the Congress while providing PBGC with the flexibility to request off-budget cycle funds as needed to deal with plan terminations and investment management fees that exceed those projected in the traditional Federal budget formulation cycle. The revised language would accomplish the following:

1. Provides clarification of PBGC's "no-year" appropriations status by adding the phrase, "shall remain available until expended". PBGC has permanent, indefinite budget authority as provided by ERISA and the Government Corporation Control Act. Inserting the phrase would help eliminate confusion about the time availability for PBGC's administrative expenses.
2. Allows additional funds for investment management fees, without a limit on the amount of the request. This allows for asset growth not only from new terminated plans, but also, for growth in the investment portfolio (resulting from yields) and/or from changes in investment policy;
3. Provides additional funds in the event of unforeseen and extraordinary pre-termination expenses, ensuring that PBGC can take immediate action, if necessary, to protect plan assets.

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ANALYSIS OF APPROPRIATION LANGUAGE

<u>Language Provision</u>	<u>Explanation</u>
“...Provided, that \$444,722,000 for administrative expenses for fiscal Year 2009 shall remain available until expended.”	Inserts the phrase, “shall remain available until expended”, that would help clarify the time availability for PBGC’s administrative expenses.
“...Provided further, in addition to the amounts provided above, additional funds shall be available for obligation to fund investment management fees for assets received by the Pension Benefit Guaranty Corporation as a result of new plan terminations, as a result of asset growth or as a result of changes in investment policy as approved by the Board.”	There is a direct correlation between PBGC’s total trust fund assets and the trust fund’s investment management fees; that is, as assets increase, fees increase. This provision allows for asset growth, not only from new terminated plans, but also, for growth in the investment portfolio (resulting from yields) and/or from changes in investment policy.
“...That obligations in excess of the amounts provided above may be incurred for unforeseen and extraordinary pre-termination expenses after approval by the Office of Management and Budget, and after notification to the Committees on Appropriations of the House and Senate.”	Provides additional funds in the event of unforeseen and extraordinary pre- and post-termination expenses, ensuring that PBGC can take immediate action, if necessary, to protect plan assets.

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AMOUNTS AVAILABLE for OBLIGATIONS

(Dollars in Thousands)

	FY 2007 Enacted		FY 2008 Estimate		FY 2009 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	0	0	0	0	0
Program Activities	0	0	0	0	0	0
Single-Employer Program Benefit						
Payments	0	4,797,000	0	4,500,000	0	4,818,000
Multiemployer Program Financial						
Assistance	0	93,000	0	106,000	0	100,000
Administrative Activities	0	0	0	0	0	0
Pension Insurance Operations	211	80,357	211	74,884	211	68,548
Pension Plan Termination	335	196,567	335	218,553	335	240,406
Operational Support	324	128,467	324	133,209	324	135,768
Total Appropriation Excluding Accruals	870	5,295,391	870	5,032,646	870	5,362,722
Offsetting Collections From:	0	0	0	0	0	0
Interest on Federal Securities	0	725,000	0	691,000	0	753,000
Premium Receipts	0	1,736,000	0	1,369,000	0	2,206,000
Benefit Payment Reimbursements	0	1,618,000	0	1,760,000	0	2,162,000
Administrative Expenses	0	401,644	0	415,047	0	444,722
Unobligated Balances Carried Forward, Start of Year	0	3,746	0	11,600	0	0
EFAST2 Expense to EBSA	0	-7,000	0	0	0	0
Subtotal, Administrative Expenses	0	398,390	0	426,647	0	444,722
B. Gross Budget Authority	0	9,772,781	0	9,279,293	0	10,928,444
Offsetting Collections Deductions	0	0	0	0	0	0
Interest on Federal Securities	0	-725,000	0	-691,000	0	-753,000
Premium Receipts	0	-1,736,000	0	-1,369,000	0	-2,206,000
Benefits Payment Reimbursements	0	-1,618,000	0	-1,760,000	0	-2,162,000
Administrative Expenses	0	-398,390	0	-426,647	0	-444,722
C. Obligating authority Before Committee	0	5,295,391	0	5,032,646	0	5,362,722
D. Total Budgetary Resource	0	5,295,391	0	5,032,646	0	5,362,722
Unobligated Balances Carried Forward, End of Year	0	-11,600	0	0	0	0
Unobligated Balance Expiring	-55	0	0	0	0	0
E. Total, Estimated Obligations	815	5,283,791	870	5,032,646	870	5,362,722

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SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2008 Estimate	FY 2009 Request	Net Change
Obligational Authority			
Program	4,606,000	4,918,000	+312,000
Administrative	426,647	444,722	+18,075
Total	5,032,647	5,362,722	+330,075
Full Time Equivalents			
Program	0	0	0
Administrative	870	870	0
Total	870	870	0

Explanation of Change	FY 2008 Base		Operating Activities		FY 2009 Change Program Activities		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	0	84,035	0	2,576	0	0	0	2,576
Personnel benefits	0	21,158	0	732	0	0	0	732
Travel	0	1,798	0	0	0	0	0	0
Transportation of things	0	1	0	0	0	0	0	0
GSA Space Rental	0	24,417	0	3,443	0	0	0	3,443
Communications, utilities & miscellaneous charges	0	6,171	0	0	0	0	0	0
Printing and reproduction	0	495	0	0	0	0	0	0
Advisory and assistance services	0	58,377	0	0	0	0	0	0
Other services	0	216,761	0	0	0	0	0	0
Purchase of goods and services from other Government accounts	0	1,858	0	0	0	0	0	0
Supplies and materials	0	2,726	0	0	0	0	0	0
Equipment	0	8,850	0	0	0	0	0	0
Built Ins Subtotal	0	426,647	0	6,751	0	0	0	6,751
B. Programs:								
Increased Cost of Benefit Payments	0	4,500,000	0	0	0	318,000	0	318,000
Investment Management Fees -- Trust Fund	0	58,377	0	25,088	0	0	0	25,088
Programs Subtotal	0	4,558,377	0	+25,088	0	+318,000	0	+343,088
C. Financing:								
Total Increase	0	+426,647	0	+31,839	0	+318,000	0	+349,839
Decreases:								
A. Built-Ins:								
To Provide For:								
One day less of Pay	0	0	0	-380	0	0	0	-380

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Explanation of Change	FY 2008 Base		Operating Activities		FY 2009 Change Program Activities		Total	
Built Ins Subtotal	0	0	0	-380	0	0	0	-380
B. Programs:								
Decreased Cost of Financial Assistance	0	106,000	0	0	0	-6,000	0	-6,000
Participant Services Efficiency (Decrease)	0	53,280	0	-1,785	0	0	0	-1,785
To Eliminate the FY 2007 Unobligated Balance Carried Forward	0	11,600	0	-11,600	0	0	0	-11,600
Programs Subtotal			0	-13,385	0	-6,000	0	-19,385
C. Financing:								
Total Decrease	0	0	0	-13,765	0	-6,000	0	-19,765
Total Change	0	+426,647	0	+18,074	0	+312,000	0	+330,074

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SUMMARY BUDGET AUTHORITY and FTE by ACTIVITY

(Dollars in Thousands)

	FY 2007 Enacted		FY 2008 Estimate		FY 2009 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
Pension Insurance	196	80,357	211	74,884	211	68,548
Administrative	196	80,357	211	74,884	211	68,548
Pension Plan Termination and Benefits						
Administration	326	196,567	335	218,553	335	240,406
Administrative	326	196,567	335	218,553	335	240,406
Operational Support	293	128,466	324	133,209	324	135,768
Administrative	293	128,466	324	133,209	324	135,768
Single Employer Program Benefit Payments	0	4,797,000	0	4,500,000	0	4,818,000
Programs	0	4,797,000	0	4,500,000	0	4,818,000
Multi-Employer Program Financial						
Assistance	0	93,000	0	106,000	0	100,000
Programs	0	93,000	0	106,000	0	100,000
Total	815	5,295,390	870	5,032,647	870	5,362,722
Programs	0	4,890,000	0	4,606,000	0	4,918,000
Administrative	815	405,390	870	426,647	870	444,722

NOTE: FY 2007 reflects actual FTE.

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BUDGET AUTHORITY by OBJECT CLASS

(Dollars in Thousands)

	FY 2007 Enacted	FY 2008 Estimate	FY 2009 Request	FY 09 Request/FY 08 Estimate
Total Number of Full-Time Permanent Positions	906	906	906	0
Full-Time Equivalent				
Full-time Permanent	850	850	850	0
Other	20	20	20	0
Total	870	870	870	0
Average ES Salary	151	155	163	7.3
Average GM/GS Grade	12.1	12.1	12.1	0
Average GM/GS Salary	87	89	93	4.2
11.1 Full-time permanent	77,464	80,058	82,139	2081.3
11.3 Other than full-time permanent	1,706	1,700	1,749	49
11.5 Other personnel compensation	2,584	2,278	2,344	66.4
11.9 Total personnel compensation	81,754	84,035	86,232	2196.7
12.1 Civilian personnel benefits	20,628	21,158	21,890	731.7
21.0 Travel and transportation of persons	1,798	1,798	1,798	-0.4
22.0 Transportation of things	1	1	1	0
23.2 Rental payments to others	22,159	24,417	27,860	3443
Communications, utilities, and				
miscellaneous charges	6,012	6,171	6,171	-0.5
24.0 Printing and reproduction	506	495	495	0
25.1 Advisory and assistance services	40,183	58,377	83,465	25088
25.2 Other services	220,607	216,760	203,376	-13384.4
Other purchases of goods and services				
from Government accounts 1/	1,635	1,858	1,858	0
26.0 Supplies and materials	2,751	2,726	2,726	0.2
31.0 Equipment	7,356	8,850	8,850	0.1
33.0 Investments and Loans	93,000	106,000	100,000	-6000
42.0 Insurance claims and indemnities	4,797,000	4,500,000	4,818,000	318000
Total	5,295,390	5,032,647	5,362,722	330,074

1/Other Purchases of Goods and Services From Government Accounts

Services by Other Government Departments	0	1,858	1,858	0
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BUDGET AUTHORITY by STRATEGIC GOAL					
(Dollars in Thousands)					
Performance Goal	DOL Strategic Goal 1: A Prepared Workforce	DOL Strategic Goal 2: A Competitive Workforce	DOL Strategic Goal 3: Safe and Secure Workplaces	DOL Strategic Goal 4: Strengthened Economic Protections	Total Budget Authority
Performance Goal: 4					
Pension Insurance	0	0	0	68,548	68,548
Pension Plan Termination and Benefits Administration	0	0	0	240,406	240,406
Operational Support	0	0	0	135,768	135,768
Single Employer Program Benefit Payments	0	0	0	4,818,000	4,818,000
Multi-Employer Program Financial Assistance	0	0	0	100,000	100,000
Agency Total	0	0	0	5,362,722	5,362,722

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TOTAL BUDGETARY RESOURCES by ACTIVITY												
(\$ in thousands)												
	FY 2007 Enacted				FY 2008 Estimate				FY 2009 Request			
	Activity Approp.	Other Approp. ^{1/}	Other Resrcs. ^{2/}	Total	Activity Approp.	Other Approp. ^{1/}	Other Resrcs. ^{2/}	Total	Activity Approp.	Other Approp. ^{1/}	Other Resrcs. ^{2/}	Total
Pension Benefit Guaranty Corporation	5,295,390	0	0	5,295,390	5,032,647	0	0	5,032,647	5,362,722	0	0	5,362,722
Pension Insurance	80,357	0	0	80,357	74,884	0	0	74,884	68,548	0	0	68,548
Pension Plan Termination and Benefits Administration	196,567	0	0	196,567	218,553	0	0	218,553	240,406	0	0	240,406
Operational Support	128,466	0	0	128,466	133,209	0	0	133,209	135,768	0	0	135,768
Single Employer Program Benefit Payments	4,797,000	0	0	4,797,000	4,500,000	0	0	4,500,000	4,818,000	0	0	4,818,000
Multi-Employer Program Financial Assistance	93,000	0	0	93,000	106,000	0	0	106,000	100,000	0	0	100,000
Total	5,295,390	0	0	5,295,390	5,032,647	0	0	5,032,647	5,362,722	0	0	5,362,722

^{1/} "Other Appropriation" is comprised of resources appropriated elsewhere, but for which the benefits accrue toward the operation of the budget activities. (Mgmt Crosscut, Executive Direction, and IT Crosscut)

^{2/} "Other Resources" include funds that are available for a budget activity, but not appropriated such as, reimbursements and fees

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SUMMARY OF PERFORMANCE PENSION BENEFIT GUARANTY CORPORATION										
Budget Activities, Performance Goals and Indicators	FY 2004		FY 2005		FY 2006		FY 2007		FY 2008	FY 2009
	Target	Result	Target	Result	Target	Result	Target	Result	Target	Target
	Budget Activity 1									
Strategic Goal 1: Safeguard the federal pension insurance system for the benefit of participants, plan sponsors, and other stakeholders										
Expected Outcome: To be determined										
Implement PBGC Premium Reforms required by the Pension Protection Act (PPA) of 2006 and the Deficit Reduction Act (DRA) of 2005 (Issue three proposed regulations):										
Variable Rate Premium										
Flat Rate Premium Increase										
Termination Premium										
Commit to eliminate PBGC's deficit and account for PBGC's expected losses, in order that workers and retirees can expect to receive qualified benefit payments from the PBGC for the defined benefit pension plans that the PBGC assumes										
Budget Activity 2										
Strategic Goal 2: Provide exceptional service to customers and stakeholders										
Expected Outcomes:										
ACSI Survey: Premium Filers										
ACSI Survey: Participant Callers										
ACSI Survey: Retirees										
Average Time (yrs) Between Trusteeship and Benefit Determination Insurance										
Budget Activity 3										
Strategic Goal 3: Exercise effective and efficient stewardship of PBGC resources										
Participant Efficiency										

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SIGNIFICANT ITEMS IN APPROPRIATION COMMITTEES' REPORTS

PBGC reports no significant items for FY 2008 Appropriations.

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AUTHORIZING STATUTES

Public Law / Act	Legislation	Statute No. / US Code	Volume No.	Page No.	Expiration Date
P.L. 93-406	Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) (1976)	29 U.S.C.	1301, et seq.		Not Applicable
P.L. 96-364	Multiemployer Pension Plan Amendments Act of 1980 (September 26, 1980)	94 Stat.	1208		Not Applicable
P.L. 99-272	Single Employer Pension Plan Amendments Act of 1986 (SEPPA) (April 7, 1986)	100 Stat.	82		Not Applicable
P.L. 100-203	Pension Protection Act (PPA) (December 22, 1987)	101 Stat.	1330		Not Applicable
P.L. 103-465	Retirement Protection Act (December 24, 1994)	108 Stat.	4890		Not Applicable
P.L. 109-280	Pension Protection Act of 2006 (August 17, 2006)	120 Stat.	780		Not Applicable
P.L. 109-171	Deficit Reduction Act of 2005 (February 8, 2006)	120 Stat.	182		Not Applicable

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APPROPRIATION HISTORY (Dollars in Thousands)

	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
1999	158,682	158,682	158,682	158,682	754
2000	164,951	164,951	164,951	164,951	754
2001....1/	176,500	176,500	176,500	190,576	754
2002....2/	189,880	189,880	189,880	227,162	754
2003....3/	192,894	192,894	192,894	270,504	752
2004....4/	228,772	228,772	228,772	293,913	806
2005....5/	266,330	266,330	266,330	350,556	851
2006....6/	296,978	296,978	296,978	385,649	870
2007....7/	397,645	397,645	397,645	405,390	870
2008	426,647	426,647	426,647	426,647	870
2009	444,722	444,722	444,722	444,722	870

1/ FY 2001 reflects reapportionments for a total of \$14,076,000 due to unexpected increased workload.

2/ FY 2002 reflects reapportionments for a total of \$37,282,000 due to unexpected increased workload.

3/ FY 2003 reflects reapportionments for a total of \$77,610,000 due to unexpected increased workload.

4/ FY 2004 reflects reapportionments for a total of \$65,142,000 due to unexpected increased workload.

5/ FY 2005 reflects reapportionments for a total of \$84,226,000 due to unexpected increased workload.

6/ FY 2006 reflects reapportionments for a total of \$88,669,000 due to unexpected increased workload.

7/ FY 2007 reflects reapportionments for a total of \$7,746,000 due to unexpected increased workload.

PENSION BENEFIT GUARANTY CORPORATION

OVERVIEW

Introduction

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) was created by the Employee Retirement Income Security Act of 1974 to encourage the continuation and maintenance of private-sector defined benefit pension plans, provide timely and uninterrupted payment of pension benefits, and keep pension insurance premiums at a minimum. Defined benefit pension plans promise to pay a specified monthly benefit at retirement, commonly based on salary and years on the job.

PBGC insures basic pension benefits of over 44 million American workers and retirees participating in over 30,000 private-sector, defined benefit plans – providing benefit payments of about \$4.3 billion annually and management of more than \$68 billion in assets. PBGC is responsible for administering two insurance programs – the single employer program and the multi-employer program.

In the *single-employer* program, PBGC pays benefits guaranteed by law for private sector, single employer defined-benefit pension plans when the plans close without enough assets to pay future benefits. Under the single-employer program, PBGC protects the pensions of some 33.8 million workers in 28,900 plans. PBGC pays monthly retirement benefits to about 631,000 retirees in 3,793 pension plans that ended without sufficient assets to pay promised benefits. Including those who have not yet retired and participants in multiemployer plans receiving financial assistance, PBGC is responsible for the current and future pensions of about 1,300,000 people.

Under the *multiemployer* program, PBGC protects the pension benefits of about 10.0 million people covered by 1,530 multiemployer plans. In this program, PBGC provides repayable loans to multiemployer plans (e.g., plans sponsored by several firms and a union) so that they can continue to pay benefits.

Title IV of the Employee Retirement Income Security Act (ERISA) of 1974, as amended, provides PBGC with permanent, indefinite spending authority. The Corporation is self-financing through insurance premiums paid by companies that sponsor defined benefits pension plans and by investment income and assets from terminated plans.

PBGC is headed by a Director who reports to a Board of Directors consisting of the Secretaries of Labor, Commerce and Treasury, with the Secretary of Labor as Chairman.

The Corporation is aided by a seven-member Advisory Committee appointed by the President of the United States to represent the interests of labor, employers, and the general public. ERISA outlines several specific responsibilities for PBGC's Advisory Committee, including advising on policies and procedures for PBGC's investments, the trusteeship of terminated plans, and on other matters as determined by PBGC.

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Proposed Legislation

PBGC's FY 2009 budget reflects the President's proposal to amend the premium structure of the pension insurance system to better reflect true risk of the guarantees provided and, thereby, eliminate the Corporation's deficit in ten years. Additional information on the premium reform proposal may be found in the performance summary narrative.

DOL Strategic Goal Contribution

PBGC has three goals that support the Secretary of Labor's Strategic Goal for Strengthened Economic Protections, and those are: 1) Safeguard the federal pension insurance system for the benefit of participants, plan sponsors, and other stakeholders; 2) Provide exceptional service to customers and stakeholders; and 3) Exercise effective and efficient stewardship of PBGC resources.

Performance Summary

PBGC has four corporate-level performance measurements. Three of these indicators are based on customer service scores for premium filers, trustee plan participant callers, and retirees receiving benefits from PBGC. The final measurement is, "Commit to eliminate PBGC's deficit and account for PBGC's expected losses, in order that workers and retirees can expect to receive qualified benefit payments from PBGC for the defined benefit pension plans that PBGC assumes."

Practitioner Performance Indicators

PBGC's customer satisfaction index for premium filers increased from 68 to 70 in 2007. The increase is primarily due to improved customer perceptions of PBGC's viability and the health of the defined benefit pension insurance system. In 2008, PBGC will focus on its new Premium and Practitioner System (which is expected to improve timeliness and accuracy of service to practitioners), and implementing mandatory electronic premium filing and Pension Protection Act provisions. PBGC also aims to maintain quality service during the transition.

Participant Performance Indicators

The 2007 survey of retirees receiving monthly pension benefits from PBGC showed a high level of satisfaction with PBGC service. Using the ACSI, PBGC scored 88 from retirees receiving benefits, representing a three point increase from 2006. Preliminary analysis of customer responses show that the highest scoring components driving customer satisfaction are receipt of benefits at a regular time each month and efficiency of the benefit payment process. PBGC attributes this success to its exceptional customer service and expansion of online services available to retirees. The 2007 ACSI survey of participant callers showed an improvement of three points, from 75 to 78 percent. Participants scored PBGC higher in responsiveness and accuracy of concern resolution, timeliness of issuing benefit estimates, and ability to meet expectations. In 2008, PBGC will begin restructuring its service delivery model. While the change is expected to result in performance-based contracting and more streamlined processing

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in the longer term, PBGC will strive to maintain the current levels of satisfaction throughout the transition period.



As of September 30, 2007, the single-employer and multiemployer programs reported deficits of \$13.1 billion and \$955 million, respectively. Notwithstanding these deficits, the Corporation has sufficient liquidity to meet its obligations for a number of years; however, neither program at present has the resources to fully satisfy PBGC's long-term obligations to plan participants. In the FY 2009 Congressional Budget Justification, PBGC reflects the President's proposal to amend the premium structure of the pension insurance system to better reflect true risk of the guarantees provided and, thereby, eliminate the Corporation's deficit in ten years.

Further reforms are needed to address the current \$14 billion gap between PBGC's liabilities and its assets. The Budget proposes to give PBGC's Board the authority to raise premiums to produce the revenue necessary to meet expected future claims and retire PBGC's deficit over ten years. The current rate-setting mechanism does not allow PBGC to respond to changing conditions in the defined benefit plan universe, in the financial markets in which pension plans invest, or in its own financial condition.

Under this proposal, PBGC's Board would have the flexibility to make a broad range of changes to premiums in an effort to improve PBGC's financial condition and safeguard the future benefits of American workers.

In addition, a key area of PBGC's stewardship is the evaluation or performance assessment of the Corporation's investment program. PBGC generated a 7.2 percent return on total invested funds for FY 2007 compared to a liability return of 0.7 percent and compared to the Corporation's total fund benchmark return of 7.5 percent. The total fund return and total fund benchmark return are weighted average returns representing the asset allocation of the entire investment portfolio. That allocation is currently approximately 70% to fixed income. For the five-year period ending September 30, 2007, PBGC's return on total fund investments was 7.7 percent compared to a total fund benchmark return of 7.6 percent.

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PBGC continues to show its commitment to excellent financial management. For the 15th consecutive year, PBGC received an unqualified audit opinion from its independent financial auditor.

Cost Model

PBGC requests a total operating budget of \$444,722,000, a net increase of \$18,075,000 over the FY 2008 estimate level. Included in this request are:

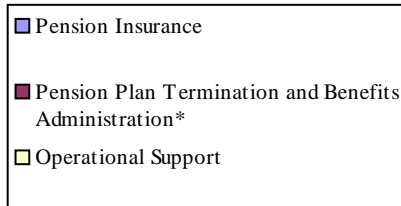
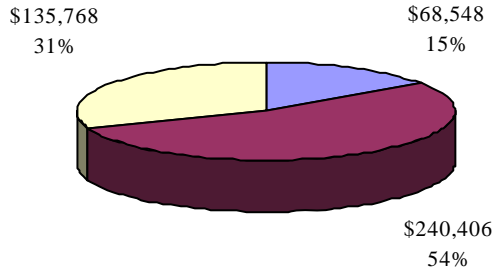
- Built-in increases totaling \$6,751,000;
- A built-in decrease of \$380,000;
- A program increase of \$25,088,000 to cover additional costs of investment management fees associated with growth of the Trust Fund portfolio;
- A \$11,600,000 decrease that eliminates the estimated unobligated balance brought forward from FY 2007; and
- A \$1,785,000 decrease resulting from increased efficiencies in benefits administration.

The FY 2009 operating budget request is comprised of three activities:

- Pension Insurance (\$68,548,000 and 211 FTE) includes such functions as the collection and investment of premiums; monitoring, negotiating and litigating protections for participants in endangered plans; prosecuting claims recoveries in terminated plans; and assisting plan practitioners in their dealings with the Corporation.
- Pension Plan Termination and Benefits Administration (\$240,406,000 and 335 FTE) includes the work necessary to fulfill PBGC's responsibilities toward the participants in trustee plans, including determining and paying the benefits and providing related services (\$156,940,000); and trust fund investment management fees (\$83,466,000).
- Operational Support (\$135,768,000 and 324 FTE) includes the vast range of activities necessary to keep the Corporation working, including facilities, information technology, and other administrative services such as accounting, budget, strategic planning and human resources management.

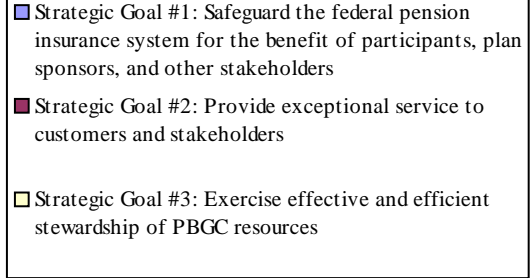
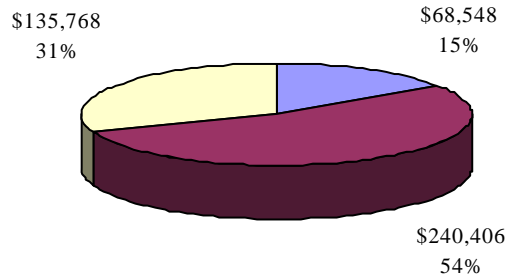
PENSION BENEFIT GUARANTY CORPORATION

FY 2009 Budget Request by Budget Activity
Total PBGC Budget Request \$444,722,000
 (Dollars in Thousands)



* Includes \$83,466,000 for investment management fees

FY 2009 Budget Request by Strategic Goal
Total PBGC Budget Request \$444,722,000
 (Dollars in Thousands)



* Includes \$83,466,000 for investment management fees

PENSION BENEFIT GUARANTY CORPORATION

Program Assessment Rating Tool (PART)

On its second Program Assessment, completed by the Office of Management and Budget in 2007, PBGC's program was again rated "moderately effective", with a score of 70. The assessment showed that the PBGC had made improvements since the 2004 PART, namely by supporting the Administration in enacting major pension reform legislation to strengthen pension plan funding rules and shore up the pension insurance system. The 2007 assessment demonstrated improved efficiency and effectiveness in serving plan participants, retirees, and premium filers. Details of the PART review can be seen at: <http://www.whitehouse.gov/omb/expectmore/summary/10002382.2007.html>.

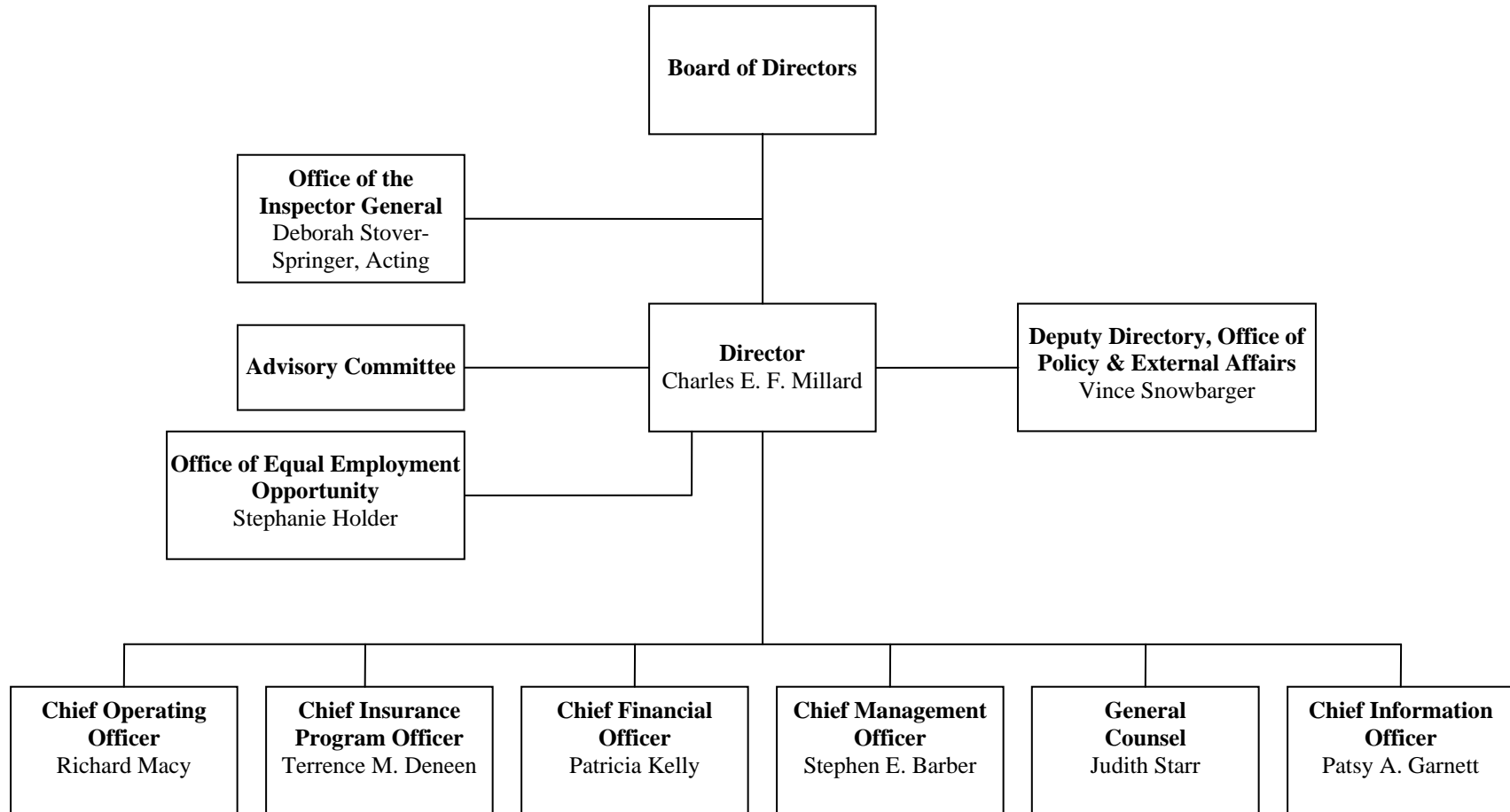
Efficiency Measures

PBGC strives to manage its resources efficiently and effectively. PBGC's efficiency measure is the cost per participant in trustee plans. The data source for this measure is the administrative budget funding allocated to pension plan termination and trusteeship activities and the total number of single-employer participants receiving or due to receive benefits. At the end of 2007, PBGC's cost per participant in trustee plans was \$196.

To achieve further efficiencies, PBGC will use continuous improvements in business processes and information technology solutions that facilitate better and faster service to participants.

PENSION BENEFIT GUARANTY CORPORATION

ORGANIZATION CHART



PENSION INSURANCE

Budget Authority Before the Committee (Dollars in Thousands)						
	FY 2007 Enacted	FY 2008 Enacted	FY 2008 Estimate	Diff. FY 07 Enact/ FY 08 Enacted	FY 2009 Request	Diff. FY 08 Enacted/FY 09 Req
Activity Appropriation	80,357	74,884	74,884	-5,473	68,548	-6,336
FTE	196	211	211	0	211	0

NOTE: FY 2007 reflects actual FTE. Authorized FTE for FY 2007 was 211.

Introduction

The Pension Insurance Activity is comprised of work directly associated with pension insurance for *new and ongoing* plans. The functions of this activity include risk assessment and management, loss prevention, technical assistance to existing plans, promotion of new plans, and the collection and investment of premiums collected from insured plans. This activity includes resources needed to identify, monitor, and mitigate significant risks to the PBGC, through negotiation and litigation.

Five-Year Budget Activity History

Fiscal Year	Funding (Dollars in Thousands)	FTE
2004	17,821	199
2005	54,392	215
2006	70,186	215
2007	80,357	211
2008	74,884	211

FY 2009

Enactment of the Pension Protection Act of 2006 (PPA) was an important step toward improving the defined benefit pension system, but will require the PBGC to continue developing and implementing regulations, policies, and guidance, a process expected to last several years.

The Corporation is also committed to working in collaboration with the other ERISA agencies and financial regulators with a view to strengthening enforcement of funding obligations, improving regulatory oversight, and enhancing disclosure of timely and relevant information relating to pension plans and plan sponsors.

PBGC will continue to proactively use its statutory authorities and enforcement powers to protect the interests of the insurance program and its stakeholders. In particular, PBGC will continue to seek to ensure full compliance with the provisions of Title IV of ERISA, to prevent unnecessary and avoidable terminations of underfunded pension plans, to mitigate the risk of losses to the insurance program, and to enhance recoveries in bankruptcy for the benefit of plan participants and the insurance funds. As a protector and advocate of workers' pension plans, PBGC bears many risks outside of its control, such as fluctuations in the economy and the financial condition of pension benefit sponsors.

PENSION INSURANCE

The Corporation will continue to monitor economic data, market performance indicators and industry developments to identify emerging risks to the pension system and to provide timely information for analysis of potential plan liabilities. The large terminations over the last several years underscore the need to better forecast problems in the universe of insured plans, as well as to come up with meaningful responses before these plans reach the point where they must terminate. In the long run, the best service PBGC can provide to participants and the defined benefit pension system is to make sure participants receive their full benefits from healthy, ongoing plans.

Significant plans and initiatives in this Activity will be ongoing. Program initiatives include the following: 1) analyze credit, investment, and actuarial risks to the pension insurance programs and build and improve risk models to quantify and measure the impact of these risks to the insurance programs; 2) automate the collection and integration of external and internal information to enhance analyses of pension plans and plan sponsors' financial condition; 3) continue coordination with IRS and DOL in responding to risks that reach across organizational boundaries; 4) continue vigorous bankruptcy litigation efforts; 5) explore, develop, and implement incentives/settlements to prevent plan sponsor initiated terminations and maximize recoveries; and 6) promulgate regulations that are understandable, flexible, relevant, and not duly burdensome.

PENSION INSURANCE

Workload Summary

WORKLOAD SUMMARY (Dollars in Thousands)			
	FY 2007	FY 2008	FY 2009
	Results	Target	Target
Workload A: (Units)			
Active Cases Monitored	750	750	750
Transactions Under Review	140	140	140
Cases in Court / Litigation	65	65	65
New Bankruptcy Cases	90	90	90
Workload B:			
Premiums Collected	\$1,697,000	\$1,460,000	\$2,206,000
Revolving Fund Investment Portfolio	\$14,478,000	\$14,197,000	\$14,401,000

CHANGES IN FY 2009

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	678
Personnel benefits	186
One day less of Pay	-100
Travel	0
Communications, utilities & miscellaneous charges	0
Printing and reproduction	0
Other services	0
Purchase of goods and services from other Government accounts	0
Supplies and materials	0

Built Ins Subtotal **764**

Net Program **-7,100**

Direct FTE **0**

	Estimate	FTE
Base	75,648	211
Program Decrease	-7,100	0

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

Budget Authority Before the Committee (Dollars in Thousands)						
	FY 2007 Enacted	FY 2008 Enacted	FY 2008 Estimate	Diff. FY 07 Enact/ FY 08 Enacted	FY 2009 Request	Diff. FY 08 Enacted/FY 09 Req
Activity Appropriation	196,567	218,554	218,553	21,987	240,406	21,852
FTE	326	335	335	0	335	0

NOTE: FY 2007 reflects actual FTE. Authorized FTE for FY 2007 was 335.

Introduction

The Pension Plan Termination and Benefits Administration Activity includes the great majority of the work carried out by the Corporation. It includes the day-to-day work necessary to pay plan benefits to participants in trustee plans and provide financial assistance to multiemployer plans. This budget activity covers all direct costs related to plan termination and trusteeship, benefits administration and Trust Fund investment management.

When PBGC takes over a terminated pension plan, it takes in the plan assets, collects and audits all plan and participant records, and values plan assets and benefit liabilities. PBGC then calculates each participant's benefit under the terms of his or her pension plan. The process of determining benefits payable by PBGC is laborious and time-consuming because the benefit structures and data requirements are different for each of the plans PBGC trustees. In addition, large plans typically have multiple, complex benefit formulas and retirement eligibility provisions. Once the individual benefit calculations are complete, PBGC issues a "benefit determination" to each participant informing them of their final benefit amount and their right to appeal if they disagree with PBGC's determination. After all benefit determinations are issued and appeals are resolved, PBGC performs ongoing benefit administration (placing deferred participants and survivors into pay status, income tax withholding, address and bank account changes, processing death notifications, etc.) for every plan and participant including beneficiaries for the rest of their lives.

Five-Year Budget Activity History

Fiscal Year	Funding (Dollars in Thousands)	FTE
2004	183,808	314
2005	190,558	328
2006	198,140	335
2007	196,567	335
2008	218,553	335

FY 2009

By the end of September 2007, the Corporation had terminated/trusteed 3,793 plans since its creation in 1974 and had responsibility for the pensions of over 1.3 million participants. These participants include 631,330 retirees to whom the Corporation paid benefits totaling more than

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

\$4.3 billion in FY 2007. During FY 2007, the Corporation trusteeed 115 new plans with 64,000 participants. PBGC ended FY 2007 with 354,000 outstanding final determinations, down from the 2005 record high of 473,000. The Corporation is currently wrapping up processing of several large cases including Bethlehem Steel, United Airlines, US Airways and Westpoint Stevens. The completion of benefit determinations in large cases such as these will not end the PBGC's work, but merely advance it to the next stage, e.g. benefits appeals; over 800 appeals from US Airways final benefit determinations were recently filed.

During FY 2008 and FY 2009, the focus will be to maintain approximately three year processing for final benefit determinations. This will require the issuance of over 250,000 benefit determinations over the next two fiscal years.

To achieve these outcomes (issuing about 250,000 benefit determinations to maintain approximately three year processing for the final benefit determinations), PBGC will undertake the following program initiatives:

- The integration and consolidation of processes and systems to simplify handling of customer requests and concerns;
- Continue process improvements for benefit determinations by implementing and maximizing use of Benefits Administration (BA) Modernization, including integrating Customer Relationship Management (CRM) for a unified benefit administration desktop;
- Modernize the case management tracking system to include capability to manage the entire trusteeed plan life cycle;
- Promote use of online services by expanding existing online service capabilities for participants through My Pension Benefit Account (MyPBA) and benefit calculation tools;
- Continue conducting participant meetings and develop new methods for reaching participants in trusteeed plans where meetings are not feasible; and
- Expand existing audits of trusteeed plan assets and aggressively pursue instances of inappropriate handling.

A total of \$83,466,000 is requested for FY 2009 investment management fees, an increase of \$25,089,000 from the FY 2008 revised estimate. This increase is due to positive investment returns, re-competition of seven-year old investment management contracts, and the implementation of the international investment policy.

**PENSION PLAN TERMINATION AND BENEFITS
ADMINISTRATION**

Workload Summary

PLAN PROCESSING & BENEFITS ADMINISTRATION (Dollars in Thousands)			
	FY 2007 Enacted	FY 2008 Estimate	FY 2009 Estimate
Workload A: Benefit Determinations to be Issued			
Beginning Inventory of Benefits Determinations to be Issued	371,906	304,291	304,291
Baseline Receipts (New Participants)	63,518	100,000	100,000
Benefits Determinations Issued	81,113	150,000	150,000
Ending Inventory	354,291	304,291	254,291
Workload B: Total Number of Participants			
Total Participants (Beginning of Year)	1,161,000	1,195,000	1,259,000
New Participants (Receipts)	63,518	100,000	100,000
Subtotal	1,224,518	1,295,000	1,359,000
Less: Lump Sum Payouts, Misc. Adjustments, and Mortality Projections	29,518	36,000	40,000
Total Participants (End of Year)	1,195,000	1,259,000	1,319,000

TRUST FUND INVESTMENTS (Dollars in Thousands)			
	FY 2007 Enacted	FY 2008 Estimate	FY 2009 Estimate
Assets Under Management	\$42,800,000	\$44,100,000	\$48,300,000

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

CHANGES IN FY 2009

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:		
Costs of pay adjustments		901
Personnel benefits		246
One day less of Pay		-133
Travel		0
GSA Space Rental		35
Communications, utilities & miscellaneous charges		0
Printing and reproduction		0
Other services		0
Purchase of goods and services from other Government accounts		0
Supplies and materials		0
Equipment		0
Built Ins Subtotal		1,049

Net Program		20,803
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Direct FTE		0
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	Estimate	FTE
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Base	219,602	335
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Program Increase	25,088	0
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Program Decrease	-4,285	0
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OPERATIONAL SUPPORT

Budget Authority Before the Committee (Dollars in Thousands)						
	FY 2007 Enacted	FY 2008 Enacted	FY 2008 Estimate	Diff. FY 07 Enact/ FY 08 Enacted	FY 2009 Request	Diff. FY 08 Enacted/FY 09 Req
Activity Appropriation	128,466	133,209	133,209	4,744	135,768	2,558
FTE	293	324	324	0	324	0

NOTE: FY 2007 reflects actual FTE. Authorized FTE for FY 2007 was 324.

Introduction

The category of “Operational Support” comprises the shared program and management support work necessary for the frontline operations of the Corporation to function. This includes non-trusteeship legal activities, policy and regulations, and the management of the Corporation’s information technology (IT) infrastructure, budget, procurement, general accounting and auditing and human resources. It also includes program functions related to both of PBGC’s insurance and benefits administration activities, such as program research, policy, and regulations.

Five-Year Budget Activity History

Fiscal Year	Funding (Dollars in Thousands)	FTE
2004	92,284	293
2005	105,606	308
2006	117,323	320
2007	128,466	324
2008	133,209	324

FY 2009

Projecting a meaningful operating budget in the traditional Federal budget cycle has proven to be difficult for PBGC because of the unknown and unpredictable economic conditions, financial markets, and the rate of business failures. When major industries terminate their pension plans and PBGC trustee those plans, there is a residual effect, not only on benefits administration, but also on PBGC’s support areas, including the IT infrastructure, facilities, procurement, human resources and financial management for many years beyond the year in which the plans terminate.

PBGC has extraordinary requirements for financial and legal skill sets not normally found in a federal government environment. In order to meet challenges to fill these workforce requirements, PBGC has established a recruitment program that will go beyond “vacancy posting” in a proactive manner to seek out highly skilled individuals and new college graduates in order to met today’s needs with a view for fulfilling tomorrow’s workforce.

In addition, PBGC will continue to rely heavily on contracting out to meet its workload challenges. Consistent with past years, in FY 2009, some 65% of the total operating budget will be outsourced. As a general matter, PBGC is shifting, wherever appropriate, to fixed price and

OPERATIONAL SUPPORT

performance based agreements, rather than labor hour and cost plus contracts.

In FY 2006 and FY 2007, PBGC had five IT business cases on OMB's Management Watch List, largely because of IT security concerns. In the last several months, however, PBGC has developed a comprehensive approach to address the challenges in the Information Technology area that will improve the effectiveness, efficiency and governance of IT assets. PBGC, for instance, is refining the new certification and accreditation process for deployment of major systems and General Support Systems - an effort that will correct a deficiency.

PBGC's IT Business Transformation in FY 2008 and FY 2009 will be accomplished through base level funding by redirecting the IT Infrastructure spending and realigning processes. IT Business Transformation will enable PBGC to improve IT decision-making, efficiency, and effectiveness. This includes PBGC significantly revising its capital planning and investment control program to integrate decision-making with enterprise architecture, security, and systems development life-cycle milestone criteria.

To support these efforts, PBGC has six IT business cases that can be found through the following links:

<http://www.dol.gov/dol/budget/2009/PDF/E300-2009-039.pdf>

<http://www.dol.gov/dol/budget/2009/PDF/E300-2009-040.pdf>

<http://www.dol.gov/budget/2009/PDF/E300-2009-038.pdf>

<http://www.dol.gov/dol/budget/2009/PDF/E300-2009-035.pdf>

<http://www.dol.gov/dol/budget/2009/PDF/E300-2009-036.pdf>

<http://www.dol.gov/dol/budget/2009/PDF/E300-2009-037.pdf>

OPERATIONAL SUPPORT

CHANGES IN FY 2009

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments		997
Personnel benefits		300
One day less of Pay		-147
Travel		0
GSA Space Rental		3,408
Printing and reproduction		0
Other services		0
Purchase of goods and services from other Government accounts		0
Supplies and materials		0

Built Ins Subtotal		4,558
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Net Program		-2,000
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Direct FTE		0
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	Estimate	FTE
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Base	137,768	324
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Program Decrease	-2,000	0
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SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

Budget Authority Before the Committee (Dollars in Thousands)						
	FY 2007 Enacted	FY 2008 Enacted	FY 2008 Estimate	Diff. FY 07 Enact/ FY 08 Enacted	FY 2009 Request	Diff. FY 08 Enacted/FY 09 Req
Activity Appropriation	4,797,000	4,500,000	4,500,000	-297,000	4,818,000	318,000
FTE	0	0	0	0	0	0

NOTE: FY 2007 reflects actual FTE. Authorized FTE for FY 2007 was 0.

Introduction

Resources that PBGC requests for benefit payments result from a non-discretionary entitlement. Under this program the Corporation pays guaranteed amounts to beneficiaries of private sector, single-employer defined-benefit pension plans when those plans terminate without enough assets to provide basic benefits. About 33.8 million workers and retirees in some 28,900 single-employer pension plans have a pension guaranty with PBGC.

PBGC's responsibility for benefit payment begins immediately when it becomes trustee of a terminated plan. The Corporation maintains uninterrupted benefit payments to existing retirees and begins payments to new retirees without delay.

PBGC pays estimated benefits to retirees until it confirms all necessary participant data and values plan assets and recoveries from the plan's sponsor. PBGC then calculates the actual benefit payable to each participant according to the specific terms of the participant's plan as applied to that participant's unique work history, statutory guarantee levels, and the funds available from plan assets and employer recoveries. Unlike other federal agencies with responsibility for retirement calculations (e.g., OPM, DVA, SSA), PBGC cannot administer benefits according to one set of rules; instead it must consider the individual provisions of each plan it has "trusteed".

Five-Year Budget Activity History

Fiscal Year	Funding (Dollars in Thousands)	FTE
2004	2,961,000	0
2005	3,234,000	0
2006	4,549,000	0
2007	4,797,000	0
2008	4,500,000	0

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

Workload Summary

WORKLOAD SUMMARY (Dollars in Thousands)			
	FY 2007 Result	FY 2008 Target	FY 2009 Target
Workload Indicator: Number of Plans			
Retirees receiving monthly benefit checks	631,330	656,930	680,930

CHANGES IN FY 2009 (Dollars in Thousands)

Activity Changes			
Built-In			
To Provide For:			
Built Ins Subtotal			0
Net Program			318,000
Direct FTE			0
		Estimate	FTE
Base		4,500,000	0
Program Increase		318,000	0

MULTI-EMPLOYER PROGRAM FINANCIAL ASSISTANCE

Budget Authority Before the Committee (Dollars in Thousands)						
	FY 2007 Enacted	FY 2008 Enacted	FY 2008 Estimate	Diff. FY 07 Enact/ FY 08 Enacted	FY 2009 Request	Diff. FY 08 Enacted/FY 09 Req
Activity Appropriation	93,000	106,000	106,000	13,000	100,000	-6,000
FTE	0	0	0	0	0	0

NOTE: FY 2007 reflects actual FTE. Authorized FTE for FY 2007 was 0.

Introduction

Multiemployer financial assistance is a non-discretionary entitlement program. The multi-employer program covers about 9.9 million participants in more than 1,530 insured plans. Funded and administered separately from the single-employer program, the multi-employer program differs in that PBGC steps in to guarantee multi-employer plans when a covered plan proves unable to pay benefits when due rather than, as in the case of single-employer plans, when the plan terminates.

The PBGC provides financial assistance to a plan after it receives an application and verifies that the plan is or will become insolvent and unable to pay basic benefits when due. The financial assistance provided takes the form of a loan that is repayable by the plan.

Five-Year Budget Activity History

Fiscal Year	Funding (Dollars in Thousands)	FTE
2004	10,713	0
2005	30,000	0
2006	90,000	0
2007	193,000	0
2008	106,000	0

Workload Summary

WORKLOAD SUMMARY (Dollars in Thousands)			
	FY 2007 Actual	FY 2008 Target	FY 2009 Target
Workload: Number of Plans			
Multi-employer plans receiving financial assistance	37	44	50

MULTI-EMPLOYER PROGRAM FINANCIAL ASSISTANCE

CHANGES IN FY 2009

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Built Ins Subtotal

0

Net Program

-6,000

Direct FTE

0

Estimate

FTE

Base

106,000

0

Program Decrease

-6,000

0