Pension Benefit Guaranty Corporation

Annual 1999 Report

PBGC
U.S. GOVERNMENT AGENCY
25 Years of Pension Protection

"I am pleased and proud to congratulate the men and women of the Pension Benefit Guaranty Corporation as you mark 25 years of dedicated service to your fellow Americans.

"The PBGC, which was established by the Employee Retirement Income Security Act of 1974, has kept the retirement promise for thousands of working Americans whose companies failed and could not fulfill their pension commitments..."

President William J. Clinton
September 1999

Excerpted from the President's message to PBGC management and staff on the occasion of the pension insurance program's 25th Anniversary.

Mission

The Pension Benefit Guaranty Corporation protects the pensions of about 43 million working men and women in nearly 40,000 private defined benefit pension plans, including about 1,800 multiemployer plans. These pension plans provide a specified monthly benefit at retirement, usually based on salary or a stated dollar amount and years of service. The Employee Retirement Income Security Act of 1974 established PBGC as a federal corporation.

PBGC receives no funds from general tax revenues. Operations are financed by insurance premiums set by the Congress and paid by sponsors of defined benefit plans, investment income, assets from pension plans trusteed by PBGC, and recoveries from the companies formerly responsible for the trusteed plans.

PBGC's mission is to operate as a service-oriented, professionally managed agency that protects participants' pension benefits and supports a healthy retirement plan system by:

- encouraging the continuation and maintenance of voluntary private pension plans for the benefit of their participants,
- providing timely payments of benefits in the case of terminated pension plans, and
- making the maximum use of resources and maintaining premiums and operating costs at the lowest levels consistent with statutory responsibilities.

Highlights

(Dollars in millions)	1999	1998
Single-Employer and Multiemployer Programs Combined		
SUMMARY OF OPERATIONS		
Premium Income	$ 925	$ 989
Loss from Plan Terminations	$ 49	$ 584
Investment Income	$ 672	$ 2,251
Actuarial Charges (Credits)	$ (602)	$ 815
INSURANCE ACTIVITY		
Benefits Paid	$ 902	$ 848
Retirees	214,890	209,300
Total Participants in Terminated and Multiemployer Plans	532,000	472,000
New Underfunded Terminations	122	160
Terminated / Trusteed Plans (Cumulative)	2,785	2,665
FINANCIAL POSITION		
Single-Employer Program		
Total Assets	$18,431	$17,631
Total Liabilities	$11,393	$12,619
Net Income	$ 2,026	$ 1,531
Net Position	$ 7,038	$ 5,012
Multiemployer Program		
Total Assets	$ 692	$ 745
Total Liabilities	$ 493	$ 404
Net Income (Loss)	$ (142)	$ 122
Net Position	$ 199	$ 341

- The net financial position of the single-employer insurance program improved as assets exceeded liabilities by more than $7 billion at yearend, largely because rising interest rates reduced liabilities and equity investments produced significant income while losses from plan terminations remained low.

- PBGC pressed forward with corporate-wide customer service initiatives to satisfy its customers' needs and expectations.

- PBGC paid $902 million in benefits to 214,890 people during the year. PBGC is responsible for the pensions of 532,000 people, including those who will receive benefits when they retire in the future. The agency met its annual performance target for timely determination of benefits.

- PBGC has or will become trustee of 2,785 underfunded pension plans, including 122 terminated during the year.

- Premium income declined by $64 million as variable-rate premium payments fell for the third year in a row.

- The multiemployer program remained financially strong with a net financial position of $199 million at yearend despite losses from investments and financial assistance.

- Beginning with this report, PBGC is providing an annual analysis of progress in meeting the performance goals set under the agency's five-year strategic plan, as required by the Government Performance and Results Act.

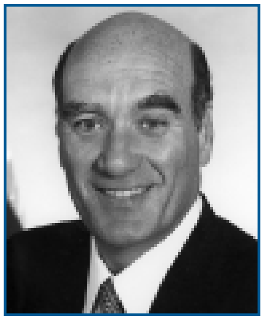
MESSAGES FROM THE BOARD OF DIRECTORS

For 25 years, the Pension Benefit Guaranty Corporation has served America's working men and women. Prior to PBGC's creation, there was no assurance that people would receive the pensions they had worked for. That all changed with the establishment of PBGC and the pension insurance program. Today, workers covered by traditional defined benefit pension plans can rest easy with the knowledge that they will receive pension benefits after a lifetime of labor. For workers who depend on PBGC for their retirement income, the promise of a secure pension is a reality. PBGC has forged a tradition of service to American workers and their families.

Alexis M. Herman
Secretary of Labor
Chairman of the Board

I congratulate the Pension Benefit Guaranty Corporation for a quarter-century of achievement in protecting the pensions of American workers. The PBGC should be proud of the progress made over the last six years in strengthening the financial soundness of the PBGC's insurance programs and improving customer service.

Lawrence H. Summers
Secretary of the Treasury



Twenty-five years ago, the Pension Benefit Guaranty Corporation was established to insure the pension benefits of American workers. PBGC's protection assures both pension participants and employer plan sponsors that pension promises will be kept and that workers will receive their earned benefits. Over the years, the corporation has operated a complex program both efficiently and effectively.

William M. Daley
Secretary of Commerce

We recently marked the 25th anniversary of the Employee Retirement Income Security Act of 1974 and the Pension Benefit Guaranty Corporation. In looking forward to the next 25 years, we should not forget the lessons of the first 25 years. Defined benefit plans have been and must continue to be an important part of the retirement income security for working Americans. PBGC has played and will continue to play a crucial role in protecting benefits. And, while PBGC is in a strong financial condition today, we must always remain vigilant.

I am proud of the role that the Pension Benefit Guaranty Corporation has played in protecting the retirement income of American workers and retirees. PBGC has paid benefits without interruption to hundreds of thousands of individuals whose pension plans terminated without adequate assets. The PBGC guarantee makes a real difference in people's lives. I attend virtually every meeting that PBGC conducts for participants in terminated plans, and I have seen the look of relief on thousands of faces when we tell them their benefits are protected.

Today, PBGC is responsible for the pensions of more than a half million people in almost 2,800 PBGC-trusteed plans, and they are our priority. These individuals, and the sponsors of the 40,000 ongoing defined benefit plans, are PBGC's customers.

PBGC must be a premier customer service organization for our customers. We have taken a new look from a customer service viewpoint at everything we do — from our computer systems to our regulations to how we respond to phone calls. We have made many changes as a direct result of customers' comments and suggestions. The "Listening to Our Customers" section of this Report describes many of the changes we have made.

I am committed to satisfying our customers' changing needs and expectations. PBGC maintains a continuing dialogue with our customers, through focus groups, surveys, and meetings, to assess how well we are doing and to identify where we must make further improvements. We want our customers to be delighted with the level of service we provide. We will be satisfied with no less.

David M. Strauss
Executive Director

25 YEARS

9/2/74

Enactment of the Employee Retirement Income Security Act (ERISA) created a federal pension insurance program and an agency—Pension Benefit Guaranty Corporation (PBGC)—to run it.

LISTENING TO *Our Customers*

Today, we live in an era of rising customer expectations. Excellent customer service is no longer discretionary. Businesses must not only provide quality products, they must also provide excellent customer service.

Based on the best practices of private-sector businesses, the federal government has adopted a set of customer service principles:

- Identify your customers;
- Ask your customers what they want;
- Set standards so people know what to expect; and
- Measure and publicize the results.

PBGC has put these principles into practice. The agency has opened a continuing dialogue with its customers — participants in PBGC-trusteed plans, and sponsors of PBGC-insured plans and the pension professionals who assist them. Over the last few years, PBGC has conducted numerous focus groups with, and annual surveys of, both participants and practitioners. Through these focus groups and surveys, PBGC asks its customers about the quality of the agency's service and how that service can be improved.

Under its ongoing Reach for Excellence and Customer Happiness (REACH) initiative, PBGC used interdepartmental teams of employees to translate the focus group and survey findings into service improvements. As a result of participant suggestions, PBGC made system enhancements in the Customer Service Center to allow PBGC's customer service representatives to take routine changes over the telephone and update participant records more efficiently. The agency also simplified the benefit application requirements to make it easier for participants in PBGC-trusteed plans to apply for benefits.

PBGC continued to provide easy-to-find information for its customers on its website at **www.pbgc.gov**. The on-line Pension Search Directory, **www.search.pbgc.gov**, simplifies the search for missing plan participants. During the year, PBGC issued a new publication, "Finding A Lost Pension," to help people expand the search for missing pensions from former employers.

In addition, PBGC improved the nature and frequency of its communications with participants. The agency rewrote publications and most of its standard letters in plain language. A team of PBGC employees developed a new package of materials that will improve initial communications with participants in newly trusteed plans. PBGC also redesigned the newsletter for participants who have not yet begun receiving benefit payments and began sending the newsletter semiannually instead of annually to keep participants better informed about the pension

PBGC Executive Director David Strauss listens to comments at participant meeting.

insurance program and their benefits. In addition, the agency began developing systems that will make it possible to provide participants with benefit estimates upon request. To capture the agency's attitude toward customer service, PBGC employees came up with a new slogan, "Working together to guarantee your future," that encourages a relationship between the agency's staff and participants.

PBGC also held 21 information sessions across the country for participants in newly trusteed plans. About 1,600 plan participants attended. These meetings help allay participant concerns and explain PBGC's insurance. Executive Director David Strauss attended each of the sessions to meet the participants and answer their questions.

As a result of suggestions in the first round of practitioner focus groups, PBGC simplified the standard termination process. Practitioners told us that this is a big improvement. PBGC also issued a new publication to help small businesses understand their responsibilities under the pension insurance program.

In 1999, PBGC made further significant changes based on what customers have told us. The agency moved the premium filing date to October 15th for calendar year plans to make it coincide with the filing date for the Form 5500 (with a parallel change for non-calendar year plans). Practitioners told us that this saves time and money. Practitioners also called for improvements in the processing of premium refunds and requests for waivers of premium penalties; PBGC initiated an aggressive effort to address pending refund and waiver requests and, by the end of the year, was processing these requests typically within 90 days of receipt.

Other measures adopted during the year included rewriting premium-related form letters in plain language to make them easier to

PBGC'S CUSTOMER SERVICE PLEDGE

Our customers deserve our best effort as well as our respect and courtesy.

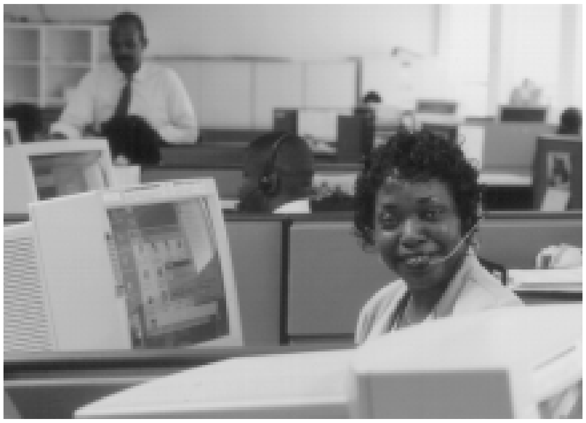
On the first call from you, our customer, we will say:

- what we can do immediately and what will take longer,
- when it will be done, and
- who will handle your request.

We will call you if anything changes from what we first said, give you a status report, and explain what will happen next.

We will have staff available from 8:00 a.m. - 5:00 p.m. Eastern time to answer your calls. If you leave a message, we will return the call within one work day.

We will acknowledge your letter within one week of receipt.



understand and a regulatory change that would provide additional relief from penalties imposed for late payment or underpayment of premiums.

PBGC also made it easier for customers to get in touch with the agency. This year, PBGC set up a toll-free number, 1-800-736-2444, for practitioner questions about premiums, standard terminations, and plan coverage. PBGC already had set up a toll-free number, 1-800-400-PBGC, for participant questions about benefits. In addition, PBGC now has two problem resolution officers, one for plan participants and another for practitioners, who can be reached through the toll-free numbers.

PBGC's annual practitioner and participant surveys measure overall satisfaction with service and help PBGC track how well it has been doing. According to the most recent completed surveys, 70 percent of participants and 66 percent of practitioners rated PBGC's service as "above average" or "outstanding." Under the agency's five-year strategic plan, the goal is for 90 percent of participants and 81 percent of practitioners to rate PBGC's service as "above average" or "outstanding."

To help reach its service goals, PBGC instituted a "one-call" approach. This means that PBGC staff will return phone calls within 24 hours. We will either answer the question with that first phone call, or we will let the customer know who will handle the problem and when an answer can be expected. If it is found that a request is going to take longer to answer than initially thought, we will call back to keep the customer informed of our progress. PBGC continues to explore ways to expand use of electronic communications to enhance service to plan participants, plan sponsors, and pension practitioners.

PBGC is committed to being a premier customer service organization — for participants who depend on the agency for their pension benefits as well as for plan sponsors and the pension professionals who assist them. PBGC will continue its dialogue with customers through focus groups and surveys. We want and need their input on what is working and what needs improvement, so that we can meet their changing needs and expectations.

PROBLEM RESOLUTION

Participants in PBGC-trusteed plans may reach PBGC's Participant Problem Resolution Officer by calling 1-800-400-PBGC or by e-mail at **participant.pro@pbgc.gov**.

Plan sponsors, plan administrators, and pension professionals may reach PBGC's Practitioner Problem Resolution Officer by calling 1-800-736-2444 (202-326-4242 if in the Washington, DC, metropolitan area) or by e-mail at **premiums.pro@pbgc.gov**.

TTY/TDD users may call the Federal relay service toll-free at 1-800-877-8339 and ask the communications assistant to connect them to the appropriate telephone number.

PROTECTING *Benefits*

In 1999, PBGC assumed responsibility for the pensions of tens of thousands of additional people even though the pace of plan terminations slackened. The agency continued to issue benefit determinations at near-record levels. The separate multi-employer program again received relatively few requests for financial assistance but provided a far larger amount of assistance than in any other year since the current program's creation in 1980.

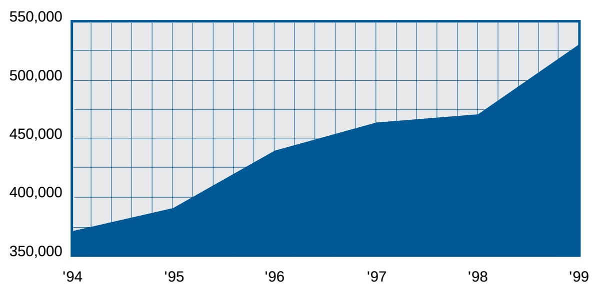
SINGLE-EMPLOYER PROGRAM

Through its single-employer program, PBGC oversees terminations of fully funded plans and guarantees payment of basic pension benefits when underfunded plans must be terminated. The single-employer program covers nearly 34 million workers and retirees in about 38,000 plans.

During 1999 the agency completed the termination of 122 underfunded plans, the vast majority of which were involuntary terminations by PBGC. In most cases termination was necessary because the sponsoring employer had gone out of business, sometimes in earlier years.

After a plan has terminated, PBGC becomes trustee of the plan and administers benefits. During 1999, PBGC became trustee of 130 single-employer plans covering more than 50,000 people. At yearend, the agency was in the process of trusteeing an additional 48 plans terminated in 1999 or earlier. In all, including 10 multiemployer plans previously trusteed, PBGC was (or was becoming) trustee of a total of 2,785 terminated plans as of the end of the year. (This total also reflects the elimination of two single-employer plans included in last year's total, which no longer required PBGC to become trustee. One plan was converted to a standard termination; the termination of the other plan was cancelled.)

People Owed Benefits or Assistance by PBGC



Benefit Processing: By the end of the year, PBGC was responsible for the current and future pension benefits of about 532,000 participants from single-employer and multiemployer plans. These included 214,890 retirees who received benefit payments totalling $902 million.

In 1999, PBGC issued nearly 67,700 benefit determinations, marking the fifth straight year that the agency has produced more than 60,000 determinations. PBGC routinely pays benefits in estimated amounts until final determinations are completed. In the vast majority of cases, participants' final determinations were within 5 percent of their estimated benefit.

PBGC has now completed benefit determinations for virtually all plans trusteed prior to 1994. The average age of unissued benefit determinations is down to 2.3 years, reflecting the fact that most pending determinations are for plans trusteed within the past two to three years. On average, in 1999 PBGC issued final benefit determinations 5.7 years after the date it had trusteed the participant's plan. The age of the determinations met the performance goal of 5-6 years set for 1999 under PBGC's strategic plan.

PBGC's Customer Service Center for participants in trusteed plans continued to handle a high volume of calls. During the past year, the center handled, on average, more than 21,400 calls each month, spending about 2 1/2 minutes per call. Another 504,000 calls were answered with automated information.

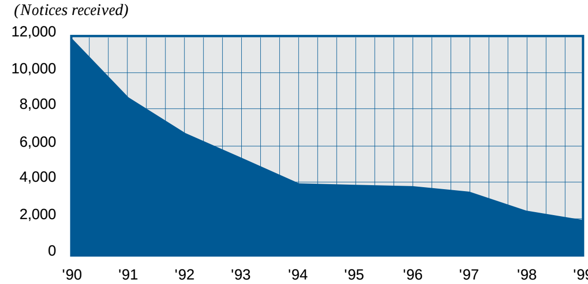
Appeals Processing: PBGC's Appeals Board reviews appeals of certain PBGC determinations. Most of the appeals are from people disputing their benefit determinations. Typically, about 2 percent of all benefit determinations are appealed. During 1999, the Appeals Board received 1,550 appeals. The Board decided 2,005 appeals during the year, more than twice the number of appeals closed in any prior year, and reduced its open case inventory by 10 percent.

Standard Terminations of Fully Funded Plans: The number of standard terminations continued to decline from their peak of about 11,800 in 1990, with 1,969 submitted to PBGC in 1999. Most of these plans had 50 or fewer participants.

As a result of the agency's 1997 revisions to the standard termination regulation, PBGC is finding a higher rate of compliance with legal requirements, and very few errors or omissions that might force cancellation of a termination. The agency's increased flexibility in addressing administrative errors, in particular, is helping to avert many of the problems filers experienced in years past. In 1999, four terminations had to be cancelled for failure to comply with legal requirements, compared to 24 such cases in 1998 and 118 in 1997.

Annual Single-Employer Plan Standard Terminations

(Notices received)



PBGC audits a statistically significant number of completed terminations to confirm compliance with the law and proper payment of benefits. These audits generally have found few and relatively small errors in benefit payments, which plan administrators are required to correct. The errors arise primarily from use of incorrect interest-rate assumptions in valuing lump-sum distributions to plan participants. Due to PBGC's audits, in 1999 some 4,500 participants (about 5 percent of all participants in audited plans) received about $2.7 million of additional benefits.

Pension Search Program: PBGC's Pension Search Program consists of three separate, coordinated efforts to locate missing people owed a pension by a terminated plan. Historically, the agency has conducted extensive searches for people missing from underfunded pension plans for which PBGC has taken responsibility. Since January 1996, PBGC also has provided a "missing participants clearinghouse" to assist employers terminating fully funded plans; if an employer is unable to locate a former employee, PBGC will accept payment for the benefit and continue searching for the person to allow the employer to complete the termination. As a last means of finding people who have frustrated all previous searches by either their former employer or by PBGC, the agency has maintained a Pension Search listing on the Internet since December 1996. These efforts have helped PBGC locate thousands of people who were unaware they were owed a pension benefit.

During 1999, 417 companies asked the clearinghouse to find 5,611 missing people, some 4,500 of whom were due benefit payments totalling nearly $7.8 million. The other 1,100 people were covered by annuity contracts that will pay their benefits when they are found. PBGC was able to confirm addresses for 952 of the missing people and to pay 706 of them nearly $2.1 million in benefits. The Internet listing helped PBGC find 351 other people who were owed about $1 million.

The total Internet list, which included people PBGC was unable to find through the clearinghouse, identified almost 9,900 people who were owed more than $19 million in pension benefits. Since inception, PBGC's Internet pension search has helped 1,745 people obtain more than $5 million in owed benefits plus interest. The Internet listing is found at **http://search.pbgc.gov**.

MULTIEMPLOYER PROGRAM

The multiemployer program, which covers about 8.8 million workers and retirees in about 1,800 insured plans, is funded and administered separately from the single-employer program and differs from the single-employer program in several significant ways. The multiemployer program covers only collectively bargained plans involving two or more unrelated employers. For such plans, the event triggering PBGC's guarantee is the inability of a covered plan to pay benefits when due at the guaranteed level, rather than plan termination as required under the single-employer program. PBGC provides financial assistance through loans to insolvent plans to enable them to pay guaranteed benefits.

Financial Assistance: The multiemployer program continues to receive relatively few requests for financial assistance. Since 1980, PBGC has provided assistance to only 23 of the 1,800 insured plans, with a total value of approximately $57 million net of repaid amounts. In 1999, 21 of these plans received assistance totalling about $19 million, including a one-time payment of about $14 million to a terminated insolvent plan that merged into a large national plan during the year. PBGC's payment to the terminated plan facilitated the merger. As a result of the merger, retirees had their benefit levels restored and participants once again are earning benefits in an ongoing plan.

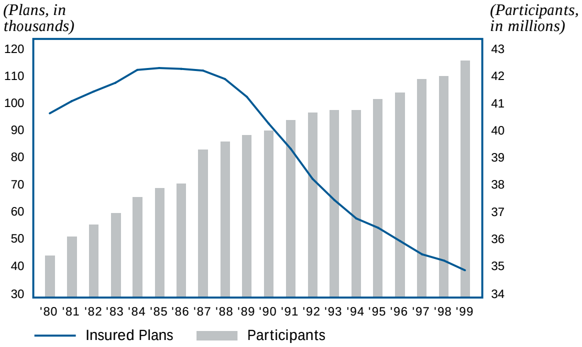
TRENDS IN *Defined Benefit Pension Plans*

Since the early 1980s, there has been a gradual shift away from defined benefit pension plans in the private sector. The number of PBGC-insured defined benefit plans peaked in 1985 at about 112,000. Since then there has been a sharp decline to about 40,000 plans in 1999.

This reduction has not been proportional across all plan sizes. Plans with fewer than 100 participants have shown the most marked decline, from about 90,000 in 1985 to less than 24,000 in 1999. There also has been a sharp decline for plans with between 100 and 999 participants, from more than 19,000 in 1985 to about 11,000 in 1999.

In marked contrast to the trends for plans with fewer than 1,000 participants, the number of plans with more than 1,000 participants has shown modest growth. Since 1980, the number of plans with between 1,000 and 9,999 participants has grown by about 6 percent, from 4,017 to 4,257 in 1999. The number of plans with at least 10,000 participants has grown from 469 in 1980 to 749 in 1999, an increase of nearly 60 percent.

PBGC-Insured Plans and Participants



The growth in the number of large plans is attributable to two factors. First, the rapid increase in inactive participants (retirees and separated vested participants) has pushed some plans into higher size categories. Second, there has been considerable plan merger activity over the thirteen-year period from 1985 through 1997.

In contrast to the dramatic reduction in the total number of plans, the total number of participants in PBGC-insured defined benefit plans has shown modest growth. In 1980, there were 35.5 million participants. By 1999, this number had increased to almost 43 million.

These numbers, however, mask the downward trend in the defined benefit system because total participants include not only active workers but also retirees (or their surviving spouses) and separated vested participants. The latter two categories of participants reflect past coverage patterns in defined benefit plans. A better forward-looking measure is the trend in the number of active participants, workers currently earning pension accruals. Here, the numbers continue to decline.

In 1988, there were 27.3 million active participants in defined benefit plans; by 1996 (the latest data available), this number had fallen to 22.6 million, a decrease of more than 17 percent. At the same time, the number of inactive participants has been growing. In 1980, inactive participants accounted for only 23 percent of total participants in defined benefit plans. By 1988 this number had increased to 31 percent; and by 1996, more than 45 percent of the participants in defined benefit plans were inactive participants. If this trend continues, by the year 2003 the number of inactive participants will exceed the number of active workers.

LEGISLATIVE PROPOSALS

The President's budget for fiscal year 2001 includes numerous provisions to encourage the expansion of retirement plan coverage,

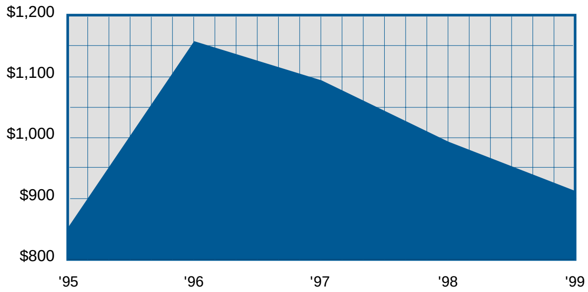
including under defined benefit plans. These provisions include:

- a simplified defined benefit plan called SMART (Secure Money Annuity or Retirement Trust) for small businesses with 100 or fewer employees;
- a reduced PBGC premium of $5 per participant for the first five years of a small business's new plan and phase-in of the variable-rate premium over five years for new plans of all sizes;
- expansion of the missing participants clearinghouse to other terminating plans, including multiemployer defined benefit pension plans insured by PBGC, certain other defined benefit pension plans not insured by PBGC, and defined contribution plans;
- simplified rules governing PBGC's guarantee of benefits for a partial owner of a company and the allocation of plan assets to the benefits of these owner-employees;
- doubling PBGC's benefit guarantee for multiemployer plans, which has been at the same level since 1980, from the current maximum guarantee of $5,850 to $12,870 (the guarantee increase would require no change in the multiemployer premium rate);
- a tax credit for part of the administrative expenses that a small business incurs when setting up a new plan;
- a tax credit for part of the cost of the contributions a small business makes to a defined benefit or defined contribution plan; and
- permitting accelerated funding of defined benefit plans.

Although PBGC's premium income continued to decline, the agency benefited from the healthy economy and strong returns on its equity investments. The single-employer insurance program gained financial strength and the multiemployer program remained strong despite an unusually large loss for the year. The combination of financial gains, negotiated settlements under the Early Warning Program, and litigation to protect the insurance program kept PBGC on course toward its strategic goal of strengthening its financial programs and systems to keep the pension insurance system solvent.

Premium Income

($ in millions)



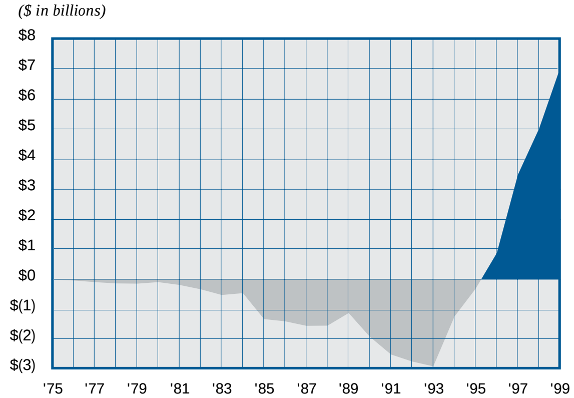
FINANCIAL MANAGEMENT

While PBGC's single-employer insurance program again posted a significant financial gain, the separate multiemployer program recorded the largest one-year loss in its history.

The single-employer program's gain arose mainly from actuarial credits as the increase in interest rates lowered the value of the program's benefit liabilities. However, the increase in interest rates also resulted in a significant loss for the program's fixed-income investments, causing total investment income to fall to about $730 million. Premium income continued to decline due to companies' reduced risk-based premium obligations, falling to $902 million, nearly $250 million less than the record level reached in 1996. At the same time, the single-employer program sustained sharply lower losses from plan terminations. The actuarial gains in combination with strong returns on equity investments enabled the single-employer program to

Net Position of the Single-Employer Program

($ in billions)

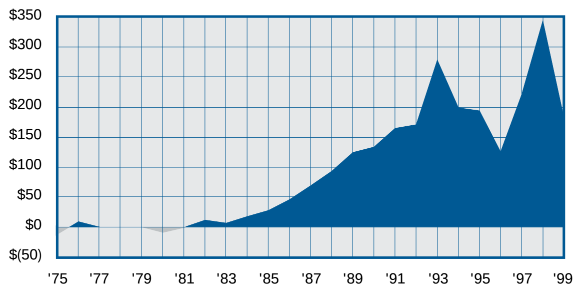


record net income of more than $2 billion, increasing the program's net surplus to more than $7 billion. This surplus provides the insurance program with a cushion against future losses.

The multiemployer program continued to be financially strong despite a net loss of $142 million. With assets of $692 million and liabilities totalling $493 million primarily for nonrecoverable future financial assistance, the program still had an end-of-year surplus of $199 million. Two factors accounted for the net loss: an increase in the program's allowance for nonrecoverable future financial assistance because a significant portion of one large plan was reclassified as a probable loss for the insurance program, and a decline in value of the program's assets (most of which are invested in U.S. Treasury securities) due to the increase in interest rates in 1999.

Net Position of the Multiemployer Program

($ in millions)



PBGC's financial statements have received their seventh consecutive unqualified opinion from the agency's auditors. The 1999 audit was again performed by PricewaterhouseCoopers LLP under the direction and oversight of PBGC's Inspector General.

Investment Program: The Corporation's investable assets consist of premium revenues accounted for in the Revolving Funds and assets from terminated plans and their sponsors accounted for in the Trust Funds. By law, PBGC is required to invest the Revolving Funds in fixed-income securities; current policy is to invest these funds only in Treasury securities. The agency has more discretion in its management of the Trust Funds, which it invests primarily in high-quality equities. The asset allocation is designed to provide sound long-term performance.

PBGC has structured its investment portfolio to improve the agency's financial condition in a prudent manner. The Revolving Fund assets are invested to earn a competitive return and partially offset changes in its benefit liabilities. The agency's investment in equities provides overall portfolio diversification and a higher long-term expected return, within prudent levels of risk. PBGC uses institutional investment management firms to invest its assets

INVESTMENT PROFILE

	September 30, 1999	1998
Fixed-Income Assets		
Average Quality	**AAA**	AAA
Average Maturity (years)	**20.0**	21.3
Duration (years)	**10.2**	11.3
Yield to Maturity (%)	**6.4**	5.1
Equity Assets		
Average Price/Earnings Ratio	**28.2**	19.7
Dividend Yield (%)	**1.4**	1.6
Beta	**1.03**	1.04

subject to PBGC oversight. PBGC continually reviews its investment strategy to ensure that the agency maintains an investment structure that is consistent with its long-term objectives and responsibilities.

As of September 30, 1999, the value of PBGC's total investments, including cash, was approximately $18.6 billion. The Revolving Fund's value was $10.8 billion and the Trust Fund's value was $7.8 billion. PBGC's equity allocation increased during 1999 due primarily to strong equity returns. Cash and fixed-income securities represented 60 percent of the total assets invested at the end of the year, as compared to 66 percent at the end of 1998, while the equity allocation stood at 39 percent of all investments compared to 33 percent one year earlier. A very small portion of the invested portfolio remains in real estate and other financial instruments.

The current allocation to equities is the maximum currently allowable to PBGC, given legislative restrictions limiting equity investments to the Trust Funds. The increased equity allocation, adopted in 1994 as part of a strategic change in the agency's investment policy, has significantly improved PBGC's overall financial condition, as equities have substantially outperformed long-term Treasury securities by more than 12 percentage points per year over the past 5 years (22.4% versus 10.0%). This change in policy has made an important contribution to the insurance program's current surplus and to PBGC's long-term financial viability.

Results for fiscal year 1999 were mixed for capital market investments and PBGC's investment program. For the year, PBGC's fixed-income program returned a negative 7.9% while its equity program advanced 24.7%. PBGC's five-year returns approximated their comparable market indices, meeting the agency's strategic performance goal. For the year, PBGC reported a loss of $862 million from fixed-income investments and a gain of $1.5 billion from equity investments.

INVESTMENT PERFORMANCE
(Annual Rates of Return)

	September 30, 1999	September 30, 1998	Five Years Ended September 30, 1999
Total Invested Funds	**3.6%**	14.4%	14.2%
Equities	**24.7**	2.1	22.4
Fixed-Income	**(7.9)**	22.8	10.0
Trust Funds	**24.3**	2.1	21.0
Revolving Funds	**(7.7)**	22.4	9.9
Indices			
Wilshire 5000	**27.0**	3.3	22.7
S&P 500 Stock Index	**27.8**	9.2	25.0
Lehman Brothers Long Treasury Index	**(7.7)**	22.1	9.9

SINGLE-EMPLOYER PROGRAM EXPOSURE

PBGC's "expected claims" are dependent on two factors: the amount of underfunding in the pension plans that PBGC insures (i.e., exposure), and the likelihood that corporate sponsors of these underfunded plans encounter financial distress that results in bankruptcy and plan termination (i.e., the probability of claims).

Over the near term, expected claims result from underfunding in plans sponsored by financially weak firms. PBGC treats a plan sponsor as financially weak based upon factors such as whether the firm has a below-investment-grade bond rating. PBGC calculates the underfunding for plans of these financially weak companies using the best available data, including the annual confidential filings that companies with large underfunded plans are required to make to PBGC under Section 4010 of ERISA.

For purposes of its financial statements, PBGC classifies the underfunding of financially weak companies as "reasonably possible" exposure, as required under generally accepted accounting principles. As of December 31, 1998, as disclosed in the financial statements, PBGC's estimated "reasonably possible" exposure ranged from $17 billion to $19 billion.

Over the longer term, exposure and expected claims are more difficult to quantify either in terms of a single number or a limited range. Claims are sensitive to changes in interest rates and stock returns, overall economic conditions, the development of underfunding in some large plans, the performance of some particular industries, and the bankruptcy of a few large companies. Large claims from a small number of terminations and volatility characterize the agency's historical claims experience and are likely to affect PBGC's potential future claims experience as well.

Despite the exceptional economic conditions of recent years, it is not reasonable to assume that future experience will be as favorable to PBGC. PBGC has had a surplus for only four years after running a deficit for more than 20 straight years. Furthermore, with premium changes built into the reforms of the Retirement Protection Act of 1994, PBGC expects its variable-rate premium revenues to decline substantially after the year 2000.

After reviewing PBGC's financial situation, the U.S. General Accounting Office concluded on October 16, 1998, that: "Although PBGC's financial condition has significantly improved over the past few years, risks remain from the possibility of an overall economic downturn or a decline in certain sectors of the economy, substantial drops in interest rates, and actions by sponsors that reduce plan assets. These risks could threaten the long-term viability of the insurance programs. Further, PBGC has only a limited ability to protect itself from risks to the insurance programs."

Methodology for Considering Long-Term Claims: No single underfunding number or range of numbers — even the reasonably possible estimate — is sufficient to evaluate PBGC's exposure and expected claims over the next ten years. There is too much uncertainty about the future, both with respect to the performance of the economy and the performance of the companies that sponsor insured pension plans.

PBGC uses a stochastic model — the Pension Insurance Modeling System (PIMS) — to evaluate its exposure and expected claims.

PIMS portrays future underfunding under current funding rules as a function of a variety of economic parameters. The model recognizes that all companies have some chance of bankruptcy and that these probabilities can change significantly over time. The model also recognizes the uncertainty in key economic parameters (particularly interest rates and stock returns). The model simulates the flows of claims that could develop under thousands of combinations of economic parameters and bankruptcy rates. (For additional information on PIMS, see PBGC's Pension Insurance Data Book 1998, pages 10-17, which also can be viewed on PBGC's website at **www.pbgc.gov/databk98.pdf**.)

Under the model, median claims over the next ten years will be about $550 million per year (expressed in today's dollars); that is, half of the scenarios show claims above $550 million per year, and half below. The mean level of claims (that is, the average claim) is much higher, more than $850 million per year. The mean is higher because there is a chance under some scenarios that claims could reach very high levels. For example, under the model, there is a ten percent chance that claims could exceed $2.0 billion per year. Despite PBGC's recent favorable experience, the financial condition of the agency could seriously deteriorate.

PIMS projects PBGC's potential financial position by combining simulated claims with simulated premiums, expenses, and investment returns. The mean outcome is an $11.7 billion surplus in 2009 (in present value terms). However, the model also shows the potential for significant downside outcomes. In particular, there is more than a 15 percent chance that the agency could return to a deficit in the next ten years and a ten percent chance that the deficit could exceed $6.3 billion in 2009 (in present value terms). These outcomes

are most likely if the economy performs poorly, in which case PBGC may experience large claims amounts and investment losses. PBGC is continuing to analyze the best way to manage and reduce the risk of insolvency.

LOSS PREVENTION

Under its Early Warning Program, PBGC closely monitored about 1,150 companies with pension plans underfunded by at least $5 million in order to identify transactions that could jeopardize pensions and to arrange suitable protections for those pensions and the pension insurance program. During 1999, PBGC reached agreements valued at about $1.1 billion with 21 companies, including RJR Nabisco Holdings Corp. and Republic Engineered Steels, Inc. These agreements provided contributions, security, and other protections for the pensions of about 129,000 workers and retirees. Loss prevention is PBGC's principal performance measure for its strategic goal of protecting existing defined benefit plans and their participants; PBGC's agreements with employers in 1999 protected benefits beyond those the agency would guarantee by reducing plan underfunding. On average, PGGC's loss prevention rate was 161 percent.

LITIGATION

PBGC continued to face challenges in courts across the country, a number of which could impair the agency's ability to recover its losses for underfunded plans from the employers responsible for those plans. At the end of the year, PBGC had 81 active cases in state and federal courts and 621 bankruptcy cases.

Several of the most significant cases concerned the priority and value of PBGC's claims for losses from plan terminations:

Copperweld Steel Company: PBGC continued to pursue bankruptcy claims to recover amounts due PBGC and Copperweld's three terminated pension plans, which covered about 3,000 workers and retirees. The company's liquidation trustee contests whether PBGC's claims for unpaid minimum funding contributions in excess of $1 million are entitled to tax priority, and whether the assumptions PBGC prescribes in its regulations appropriately measure PBGC's claims for unfunded benefit liabilities. In December 1997, the bankruptcy court ruled for the liquidation trustee's position on both issues. On PBGC's appeal, the district court affirmed the bankruptcy court's adverse decision. PBGC was appealing the lower court decisions to the Sixth Circuit Court of Appeals at yearend.

CF&I Steel Corporation: In June 1999, the U.S. Supreme Court declined PBGC's request to review an adverse appellate decision, ending the agency's litigation over claims against the reorganized CF&I for a plan that was underfunded by about $221 million when terminated in March 1992. The Tenth Circuit Court of Appeals had ruled against PBGC regarding the treatment of its claims in bankruptcy. The court had found that the regulatory measure of PBGC's claim for unfunded benefit liabilities conflicts with the Bankruptcy Code and affirmed lower court decisions reducing PBGC's claim to about $123 million. The court also found that PBGC's claim for unpaid minimum funding contributions in excess of $1 million is not entitled to tax priority and that only a small portion of this claim is entitled to administrative priority. These issues are central to PBGC's ability to recover its losses from employers in bankruptcy. PBGC will continue to litigate similar cases in other circuits with the hope of convincing the high court to take up these issues at a later date.

Other major cases in 1999 included:

Pineiro, Brooks, and Beaumont v. PBGC: In 1991, PBGC became trustee of three Pan Am pension plans underfunded by $914 million. Three former employees of Pan American World Airways later filed suit asking a district court to replace PBGC with an independent trustee. The court dismissed virtually all of the allegations as meritless, leaving open only an allegation concerning the timeliness of PBGC's notices of benefit determination to the Pan Am participants. The plaintiffs filed an amended complaint in January 1998 realleging PBGC delays in issuing benefit determinations as well as most of the dismissed allegations. PBGC's motion to dismiss the amended complaint was pending action by the district court at yearend. Despite the exceedingly poor condition of company records and the difficulties caused by Pan Am's protracted bankruptcy proceedings, PBGC has been paying benefits to Pan Am retirees continuously since taking over the plans. The agency has completed all benefit determinations for the 53,000 former Pan Am workers and retirees.

White Consolidated Industries, Inc.: In July 1999, the district court ruled that White is liable for the unfunded benefits of six pension plans that White transferred to the Blaw Knox Corporation in 1985. PBGC took over the plans because they ran out of money or would have been abandoned after Blaw Knox ceased business in 1994. PBGC seeks to recover approximately $120 million, plus interest, for the plans' underfunding. The court held that White's transfer of the plans was a sham transaction and that the company "ultimately became solely motivated by a desire to unload the BK Plans." The court also held that a principal purpose of White in entering into the transaction was to evade its pension liabilities. The court subsequently dismissed White's misrepresentation counterclaim against PBGC, finding there had been no misrepresentation or misconduct on the part of the agency or its employees. White has appealed the court's decision to the Third Circuit and has filed an administrative appeal with PBGC challenging the agency's calculation of the unfunded benefit liabilities.

Flo-Con Systems, Inc. v. PBGC: During an audit of Flo-Con's standard termination of its pension plan for hourly employees, PBGC determined that Flo-Con had underpaid plan participants by using improper interest rates to calculate lump sum distributions. Amendments to ERISA and the Internal Revenue Code superseded the PBGC regulation relied on by Flo-Con and required that the company use lower interest rates, which would provide participants with larger lump sums. Flo-Con sought a summary judgment that its plan termination met legal requirements. The company also argued that a favorable IRS tax qualification letter and a PBGC letter directing Flo-Con to proceed with the distribution reflected IRS and PBGC approval of the termination and legally prevented PBGC from challenging the benefit calculations. PBGC filed a counterclaim to enforce its determination and ensure that the participants received the amounts to which they were entitled. In December 1998, a district court rejected Flo-Con's arguments and granted PBGC's motion for summary judgment.

Y2K

Following extensive efforts to test and validate its information systems and software for the Year 2000 century-date change, PBGC announced in August 1999 that it was ready for Y2K. PBGC confirmed that all PBGC mission-critical and secondary systems were Y2K-compliant. PBGC also verified that all building systems at PBGC sites were Y2K-compliant and consulted with business partners on their Y2K readiness.

PBGC focused on improving existing systems rather than on introducing new technology or applications. Enhancements improved the major business systems' overall performance and helped front-line staff provide better customer service. The agency also took steps to strengthen the security of information and automated systems and will continue to monitor and test the security of its systems.

PBGC's five-year strategic plan has four broad goals that form the framework of the agency's short- and long-term plans. In 1999, PBGC updated the plan to cover the period 1999-2004, in some cases raising the performance targets for future years. The PBGC goals are to:

(1) protect existing defined benefit plans and their participants, thereby encouraging new plans;

(2) provide high quality, responsive services; and accurate and timely payment of benefits to participants;

(3) strengthen financial programs and systems to keep the pension insurance system solvent; and

(4) improve internal management support operations.

The performance measures track specific results that are significant to PBGC's customers and gauge PBGC's solvency and customer service accomplishments. The following table shows the results achieved in 1999 and meets the annual reporting requirement established by the Government Performance and Results Act. More information on PBGC's strategic plan and annual performance plan may be found on PBGC's website at **www.pbgc.gov/mission.htp**.

ACHIEVING PERFORMANCE TARGETS

Pension Loss Prevention:

- Loss prevention is PBGC's principal performance measure for its strategic goal of protecting existing defined benefit plans and their participants. PBGC's negotiated agreements with employers in 1999 resulted in a loss prevention rate of 161 percent. Loss prevention exceeds 100 percent when a plan sponsor agrees to fund benefits beyond those that the agency guarantees. These settlements helped 129,000 participants maintain their pension benefits.

Customer Satisfaction:

- PBGC listens to its customers in a variety of ways including annual satisfaction surveys, and has set performance targets for both participants' and practitioners' satisfaction through 2004.
- The 1999 survey of participants showed about the same satisfaction as the previous year. Retired participants receiving benefits were more satisfied than those due a future pension. For the latter, lack of information about the amount of their future benefits largely explains their lower satisfaction. PBGC is taking steps to improve the accuracy and timeliness of benefit estimates and will be communicating earlier and more frequently with future payees. When these changes are in place, we expect an increase in customer satisfaction.

1999 PBGC CORPORATE PERFORMANCE MEASURES

Measure	Applicable Goal	1999 Milestone	1999 Result		Baseline (1997)	
Pension Loss Prevention:						
Increase pension funding protection and the number of participants helped through PBGC agreements with sponsors of underfunded pension plans						
• Total value of loss prevention as compared to total underfunded vested benefits	(1)	*	161%		88.5%	
• Number of participants helped	(1)	*	129,000		140,000	
Customer Satisfaction:						
Achieve "outstanding" or "above average" ratings (on a five point customer satisfaction scale) for inquiries handled:						
• From people whose plans we trustee	(2)	83%	70%		79%	
• From pension practitioners / sponsors	(2)	63%	66%		54%	
Operations:						
Determine final benefit amount in clear, understandable language and within 5% of the benefit PBGC estimated when it completed the audit of the pension plan	(2)	80%	84%		90%	
Send final, accurate benefit determination to participants within 3-4 years of plan trusteeship	(2)	5-6 years	5.7 years		5.95 years	
Reduce the age of pre-trusteeship inventory to no more than 1 year	(2)	100% 3 years or less	99.6% 3 years or less		98.6% 4 years or less (1998)	
Send the first benefit payment to an eligible person within 3 months of receiving his/her completed application	(2)	80%	83%		83% (1999)	
Financial Management:						
Collect 99% of pension insurance premiums due	(3)	99%	99%		97%	
Approximate comparable 5-year investment indices for PBGC's portfolio performance	(3)	*	PBGC	Index	PBGC	Index
		Equities	22.4%	22.7%	20.6%	20.6%
		Fixed-Income	10.0%	9.9%	10.9%	8.9%

* By their nature, these measures do not lend themselves to setting annual targets or milestones. PBGC measures performance annually based on actual results.

- Sixty-six percent of pension practitioners rated PBGC's overall service "outstanding" or "above average" in 1999, up from 58% in 1998 and exceeding the 1999 performance goal of 63%. PBGC attributes the increase in satisfaction to: (1) its shift of the premium filing due date to coincide with other pension reporting requirements; (2) the launch of the new premium payer customer service center and 1-800 telephone number; and (3) continued improvement of service to standard termination filers.

Operations:

- The principal measure of operations is to "send final, accurate benefit determination to participants within 3-4 years of plan trusteeship." Efforts to speed up processing have succeeded, allowing PBGC to raise the performance target for this measure. The agency now plans to issue determinations on average within 3-4 years, versus 3-5 as in the original strategic plan. This is another example of listening to customers and changing processes to make improvements they want. In addition, the average age of unissued benefit determinations was reduced from 3.2 to 2.3 years.

- When PBGC issued final benefit determinations, they were within 5 percent of earlier estimates 84 percent of the time. However, this measure can change significantly from year to year because of the small number of benefit calculations currently used for the measure. PBGC is continuing to monitor the utility of this particular measure.
- PBGC made steady progress in reducing the age of cases to be trusteed. The goal is that no pending case be more than one year old by 2002, reached in annual milestones. At the end of 1999, 99.6 percent of cases to be trusteed were three years old or less.

PBGC's Field Benefit Administration staff routinely assist people with questions at participant meetings.

- After eligible participants completed applications, they received pension payments from PBGC within three months 83 percent of the time. PBGC continues to work to improve on this record.

Financial Management:

- The premium collection rate is the amount of premiums collected divided by the amount of premiums due. PBGC achieved its 99 percent collection goal. During the year, PBGC extended the final premium filing date by one month to coincide with other reporting requirements. This change demonstrates again how PBGC listens to its customers.
- Investment management results are measured against recognized industry indices aggregated over a five-year period. The five-year period smooths out volatility in annual market performance and provides a more realistic, long-term view of investment success. PBGC regularly approximates the two indices it tracks: the Wilshire 5000 Index for equities, and the Lehman Brothers Long Treasury Index for fixed income.

PROGRAM EVALUATION

PBGC conducted customer satisfaction surveys of participants in plans trusteed by PBGC, and of pension practitioners who have dealings with us on premium payment or standard termination matters. Evaluation of the survey responses resulted in improvements in program operations, as discussed earlier in the Annual Report.

Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following discussion and analysis provide information that management believes is relevant to an assessment and understanding of the Corporation's financial condition and results of operations. The discussion should be read in conjunction with the financial statements and notes thereto.

PBGC's operating results are subject to significant fluctuation from year to year depending on the frequency and severity of losses from terminating pension plans, general economic conditions, and other factors such as changes in law. Consequently, certain traditional financial ratios and measurements are not meaningful and, therefore, not presented.

COMBINED RESULTS

For 1999, PBGC's combined underwriting and financial activities resulted in a net gain of $1.884 billion. The single-employer and multiemployer programs reported net income of $2.026 billion and net loss of $142 million respectively. By law, these two programs are separate.

SINGLE-EMPLOYER PROGRAM

Results of Activities and Trends: The net income in 1999 was $2.026 billion compared to net income of $1.531 billion in 1998. The $495 million increase was primarily attributable to the decrease in the actuarial charge resulting from higher interest rates.

Underwriting Activity: The gain of $823 million in 1999 was up from a gain of $462 million in 1998. This $361 million increase was primarily due to a decrease in losses from completed and probable terminations.

Underwriting income decreased from $976 million in 1998 to $905 million in 1999. The $71 million change relates primarily to the decrease in variable-rate premium payments. This decrease continues the trend that started in 1997 when statutory changes in the interest rate used to determine plan funding levels first took effect.

The Corporation's losses from completed and probable plan terminations decreased from $584 million in 1998 to $49 million in 1999. Although there were no major plan terminations in 1999, losses are unpredictable.

Operating costs increased $4 million over 1998. This increase was due in part to costs incurred in making PBGC's systems Y2K-ready.

Financial Activity: Financial income increased from $1.069 billion in 1998 to $1.203 billion in 1999. This increase was due to the effect rising interest rates had on actuarial charges (a credit of $489 million in 1999 compared to a charge of $1.034 billion in 1998).

The total return on investments was 3.6% in 1999, compared to 14.4% in 1998. Fixed-income investments experienced a negative return in 1999 while equity investment returns were higher in 1999 than in 1998. PBGC, in accordance with generally accepted accounting principles, marks its assets and liabilities to market.

Actuarial charges primarily resulted from the aging of the present value of future benefits and from changes in interest rates. In 1999, the select interest rate assumption increased from 5.7% at September 30, 1998, to 7.0% at September 30, 1999, while the ultimate rate increased from 5.75% to 6.5%.

Liquidity and Capital Resources: The single-employer program's net position improved in 1999 to approximately $7.0 billion primarily because of a strong return on equity investments and the effect of rising interest rates on actuarial charges. Approximately $18.1 billion (98 percent) of the program's total assets of $18.4 billion are in marketable assets.

PBGC's primary sources of cash are from premium receipts and investment activities. If funds generated from these sources are insufficient to meet fixed charges in any period, the Corporation has available a $100 million line of credit from the U.S. Treasury for liquidity purposes. PBGC did not use this borrowing authority in 1998 or 1999 and has no plans to use it in the near future.

Benefit payments and administrative expenses should approximate $1.2 billion in 2000. Due to significant factors beyond PBGC's control (e.g., fluctuations in interest rates, contributions made to PBGC-insured plans by sponsors, etc.), it is difficult to project premium revenue with a high degree of certainty.

The Corporation is subject to litigation that could have considerable impact on its financial condition. Also, the total underfunding in large plans that are sponsored by companies with below-investment-grade bond ratings ranges from approximately $17 billion to $19 billion. Losses from these plans are not probable at this time but generally accepted accounting principles require the exposure to be disclosed in the footnotes to the financial statements. This exposure is primarily in the steel, airline, communications, general merchandise, and transportation equipment industries.

The single-employer program's positive net position of approximately $7.0 billion at yearend will help provide the financial foundation needed to support the Corporation's long-term responsibilities under the Employee Retirement Income Security Act. A properly managed insurance program must have the resources to provide for unforeseen losses from terminating pension plans.

MULTIEMPLOYER PROGRAM

Results of Activities and Trends: The 1999 multiemployer results of operations culminated in a positive net position of $199 million. The program reported a loss of $142 million in 1999 compared to net income of $122 million in 1998. The change in net income was due to the accrual of future financial assistance for a portion of one plan, which PBGC had classified as reasonably possible in 1998 but reclassified as a probable loss in 1999, and to the $189 million decrease in investment income. Premium income remained constant at $23 million. Of the program's assets, PBGC invested 96.7 percent and 95.6 percent in Treasury securities in 1999 and 1998, respectively.

Liquidity and Capital Resources: As the multiemployer program has a positive net position and most assets are highly liquid Treasury securities, PBGC has sufficient resources to meet its liquidity requirements. In 2000, premium receipts will approximate $23 million, while benefit payments and financial assistance will be about $91 million. These payments will not reduce the program's net position since PBGC has previously recorded the financial assistance as a liability.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT

Management controls in effect in 1999 provided reasonable assurance that assets were safeguarded from material loss and that transactions were executed in accordance with management's authority and with significant provisions of selected laws and regulations. Furthermore, PBGC management controls provided reasonable assurance that transactions were properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets among funds.

In fiscal year 1999, PBGC did not identify any material weaknesses.

MANAGEMENT REPRESENTATION

PBGC's management is responsible for the accompanying Statements of Financial Condition as of September 30, 1999 and 1998, the related Statements of Operations and Changes in Net Position, and the Statements of Cash Flows for the years then ended. PBGC's management is also responsible for establishing and maintaining systems of internal accounting and administrative controls that provide reasonable assurance that the control objectives — preparing reliable financial statements, safeguarding assets, and complying with laws and regulations — are achieved.

The Inspector General engaged PricewaterhouseCoopers LLP (PwC) to conduct the audit of the Corporation's 1999 and 1998 financial statements. In its opinion on PBGC's financial statements, PwC reported that the Statements of Financial Condition as of September 30, 1999 and 1998, and the Statements of Operations and Changes in Net Position and Statements of Cash Flows for the fiscal years ended September 30, 1999 and 1998, were fairly stated in all material respects.

In the opinion of management, the financial statements present fairly the financial position of PBGC at September 30, 1999, and September 30, 1998, and the results of operations and cash flows for the years then ended, in conformity with generally accepted accounting principles (GAAP) and actuarial standards applied on a consistent basis.

Estimates of probable terminations, nonrecoverable future financial assistance, amounts due from employers, and the present value of future benefits may have a material effect on the financial results being reported. In addition to litigation that has been properly disclosed and reported in accordance with GAAP, other litigation may have an effect on the financial condition of the Corporation.

As a result of the aforementioned, PBGC has based these statements, in part, upon informed judgments and estimates for those transactions not yet complete or for which the ultimate effects cannot be precisely measured, or for those that are subject to the effects of any pending litigation.

David M. Strauss
Executive Director

N. Anthony Calhoun
Deputy Executive Director
and Chief Financial Officer

January 14, 2000

PENSION BENEFIT GUARANTY CORPORATION
STATEMENTS OF FINANCIAL CONDITION

(Dollars in millions)

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
	1999	1998	**1999**	1998	**1999**	1998
ASSETS						
Cash and cash equivalents	**$ 334**	$ 693	**$ 9**	$ 21	**$ 343**	$ 714
Investments, at market (Note 3):						
Fixed maturity securities	**10,188**	10,530	**669**	712	**10,857**	11,242
Equity securities	**7,342**	6,048	**3**	3	**7,345**	6,051
Real estate and real estate investment trusts	**13**	39	**0**	0	**13**	39
Other	**88**	35	**0**	0	**88**	35
Total investments	**17,631**	16,652	**672**	715	**18,303**	17,367
Receivables, net:						
Sponsors of terminated plans	**18**	21	**0**	0	**18**	21
Sponsors of restored plans (Note 4)	**0**	55	**0**	0	**0**	55
Premiums (Note 10)	**240**	53	**1**	1	**241**	54
Sale of securities	**45**	23	**0**	0	**45**	23
Notes receivable	**0**	2	**0**	0	**0**	2
Investment income	**156**	123	**10**	8	**166**	131
Other	**5**	5	**0**	0	**5**	5
Total receivables	**464**	282	**11**	9	**475**	291
Furniture and fixtures, net	**2**	4	**0**	0	**2**	4
Total assets	**$18,431**	$17,631	**$692**	$745	**$19,123**	$18,376

The accompanying notes are an integral part of these financial statements.

PENSION BENEFIT GUARANTY CORPORATION
STATEMENTS OF FINANCIAL CONDITION

(Dollars in millions)

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
	1999	1998	**1999**	1998	**1999**	1998
LIABILITIES						
Present value of future benefits, net (Note 5):						
Trusteed plans	**$ 9,677**	$10,446	**$ 5**	$ 6	**$ 9,682**	$10,452
Terminated plans pending trusteeship	**81**	90	**0**	0	**81**	90
Settlements and judgments	**228**	319	**0**	0	**228**	319
Claims for probable terminations	**1,087**	1,426	**0**	0	**1,087**	1,426
Total present value of future benefits, net	**11,073**	12,281	**5**	6	**11,078**	12,287
Present value of nonrecoverable future financial assistance (Note 6)			**479**	389	**479**	389
Unearned premiums (Note 10)	**208**	266	**9**	9	**217**	275
Accounts payable and accrued expenses (Note 7)	**112**	72	**0**	0	**112**	72
Commitments and contingencies (Notes 8, 9, and 15)						
Total liabilities	**11,393**	12,619	**493**	404	**11,886**	13,023
NET POSITION	**7,038**	5,012	**199**	341	**7,237**	5,353
Total liabilities and net position	**$18,431**	$17,631	**$692**	$745	**$19,123**	$18,376

The accompanying notes are an integral part of these financial statements.

PENSION BENEFIT GUARANTY CORPORATION
STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION

(Dollars in millions)

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	For the Years Ended September 30,		For the Years Ended September 30,		For the Years Ended September 30,	
	1999	1998	**1999**	1998	**1999**	1998
UNDERWRITING:						
Income:						
Premium (Note 10)	**$ 902**	$ 966	**$ 23**	$ 23	**$ 925**	$ 989
Other	**3**	10	**0**	0	**3**	10
Total	**905**	976	**23**	23	**928**	999
Expenses:						
Administrative	**147**	143	**0**	0	**147**	143
Other	**(1)**	6	**0**	0	**(1)**	6
Total	**146**	149	**0**	0	**146**	149
Other underwriting activity:						
Losses from completed and probable terminations (Note 11)	**49**	584	**0**	0	**49**	584
Losses from financial assistance (Note 6)			**109**	34	**109**	34
Actuarial adjustments (Note 5)	**(113)**	(219)	**0**	0	**(113)**	(219)
Total	**(64)**	365	**109**	34	**45**	399
Underwriting income (loss)	**823**	462	**(86)**	(11)	**737**	451
FINANCIAL:						
Investment income (Note 12):						
Fixed	**(805)**	1,994	**(57)**	133	**(862)**	2,127
Equity	**1,547**	121	**1**	0	**1,548**	121
Other	**(14)**	3	**0**	0	**(14)**	3
Total	**728**	2,118	**(56)**	133	**672**	2,251
Expenses:						
Investment	**14**	15	**0**	0	**14**	15
Actuarial charges (Note 5):						
Due to passage of time	**601**	621	**0**	0	**601**	621
Due to change in interest rates	**(1,090)**	413	**0**	0	**(1,090)**	413
Total	**(475)**	1,049	**0**	0	**(475)**	1,049
Financial income (loss)	**1,203**	1,069	**(56)**	133	**1,147**	1,202
Net income (loss)	**2,026**	1,531	**(142)**	122	**1,884**	1,653
Net position, beginning of year	**5,012**	3,481	**341**	219	**5,353**	3,700
Net position, end of year	**$ 7,038**	$5,012	**$ 199**	$341	**$ 7,237**	$5,353

The accompanying notes are an integral part of these financial statements.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENTS OF CASH FLOWS

(Dollars in millions)

	Single-Employer Program For the Years Ended September 30,		Multiemployer Program For the Years Ended September 30,		Memorandum Total For the Years Ended September 30,	
	1999	1998	**1999**	1998	**1999**	1998
OPERATING ACTIVITIES:						
Premium receipts	**$ 658**	$ 967	**$ 23**	$ 24	**$ 681**	$ 991
Interest and dividends received, net	**710**	673	**43**	41	**753**	714
Cash received from plans upon trusteeship	**17**	67	**0**	0	**17**	67
Receipts from sponsors	**18**	48	**0**	0	**18**	48
Other receipts	**71**	9	**0**	3	**71**	12
Receipts of notes receivable	**1**	1	**0**	0	**1**	1
Benefit payments - trusteed plans	**(886)**	(839)	**(1)**	(1)	**(887)**	(840)
Financial assistance payments			**(19)**	(6)	**(19)**	(6)
Settlements and judgments	**(125)**	(40)	**0**	0	**(125)**	(40)
Payments for administrative and other expenses	**(158)**	(148)	**0**	0	**(158)**	(148)
Net cash provided by operating activities (Note 14)	**306**	738	**46**	61	**352**	799
INVESTING ACTIVITIES:						
Proceeds from sales of investments	**5,727**	7,537	**88**	214	**5,815**	7,751
Payments for purchases of investments	**(6,392)**	(8,135)	**(146)**	(274)	**(6,538)**	(8,409)
Net cash used in investing activities	**(665)**	(598)	**(58)**	(60)	**(723)**	(658)
Net increase (decrease) in cash and cash equivalents	**(359)**	140	**(12)**	1	**(371)**	141
Cash and cash equivalents, beginning of year	**693**	553	**21**	20	**714**	573
Cash and cash equivalents, end of year	**$ 334**	$ 693	**$ 9**	$ 21	**$ 343**	$ 714

The accompanying notes are an integral part of these financial statements.

NOTE 1 — ORGANIZATION AND PURPOSE

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) is a federal corporation created by Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) and is subject to the provisions of the Government Corporation Control Act. Its activities are defined in ERISA as amended by the Multiemployer Pension Plan Amendments Act of 1980, the Single-Employer Pension Plan Amendments Act of 1986, the Pension Protection Act of 1987, and the Retirement Protection Act of 1994. The Corporation insures pensions, within statutory limits, of participants in covered single-employer and multiemployer defined benefit pension plans that meet the criteria specified in Section 4021 of ERISA.

ERISA requires that PBGC programs be self-financing. The Corporation finances its operations through premiums collected from covered plans, assets assumed from terminated plans, collection of employer liability payments due under ERISA as amended, and investment income. In addition, PBGC may borrow up to $100 million from the U.S. Treasury to finance its operations. The Corporation did not use this borrowing authority during the years ended September 30, 1999, or September 30, 1998, nor is use of this authority currently planned. ERISA provides that the U.S. Government is not liable for any obligation or liability incurred by PBGC.

Under the single-employer program, PBGC is liable for the payment of guaranteed benefits with respect only to underfunded terminated plans. An underfunded plan may terminate only if PBGC or a bankruptcy court finds that one of the four conditions for a distress termination, as defined in ERISA, is met or if PBGC involuntarily terminates a plan under one of five specified statutory tests. The net liability assumed by PBGC is generally equal to the present value of the future benefits (including amounts owed under Section 4022(c) of ERISA) less (1) the amounts that are provided by the plan's assets and (2) the amounts that are recoverable by PBGC from the plan sponsor and members of the plan sponsor's controlled group, as defined by ERISA.

Under the multiemployer program, if a plan becomes insolvent, it receives financial assistance from PBGC to allow the plan to continue to pay participants their guaranteed benefits. PBGC recognizes assistance as a loss to the extent that the plan is expected to be unable to repay these amounts from future plan contributions, employer withdrawal liability, or investment earnings.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Revolving and Trust Funds: PBGC accounts for its single-employer and multiemployer programs' revolving and trust funds on an accrual basis. Each fund is charged its portion of the benefits paid each year. PBGC has combined the revolving and trust funds for presentation purposes in the financial statements. The single-employer and multiemployer programs are separate programs by law and, therefore, PBGC reports them separately.

ERISA provides for the establishment of revolving funds to be used by PBGC in carrying out its duties. The revolving funds support the operational and administrative functions of PBGC and fund any deficits incurred by PBGC in trusteeing plans or providing financial assistance. Premiums collected from ongoing plans are accounted for through the revolving funds. The Pension Protection Act of 1987 created a single-employer revolving fund that is credited with all premiums in excess of $8.50 per participant, including all penalties and interest charged on these amounts, as well as investment income. This fund may not be used to pay PBGC's administrative costs or the benefits of any plan terminated prior to October 1, 1988, unless no other amounts are available.

The trust funds reflect accounting activity associated with: (1) trusteed plans — plans for which PBGC has legal responsibility, (2) plans pending trusteeship — terminated plans for which PBGC has not become legal trustee by fiscal yearend, and (3) probable terminations — plans that

PBGC determines are likely to terminate and be trusteed by PBGC. PBGC cannot exercise legal control over a plan's assets until PBGC becomes trustee, which may be several years after the date of plan termination.

Allocation of Revolving and Trust Funds: PBGC allocates revolving and trust fund assets, liabilities, income, and expenses to each program's revolving and trust funds to the extent that such amounts are not directly attributable to a specific fund. Revolving fund income is allocated on the basis of each program's average cash available for investment during the year while the expenses are allocated on the basis of each program's present value of future benefits. Revolving fund assets and liabilities are allocated on the basis of the yearend equity of each program's revolving funds. The plan assets acquired by PBGC and commingled at PBGC's custodian bank are credited directly to the appropriate fund while the earnings and expenses on the commingled assets are allocated to each program's trust funds on the basis of each trust fund's value, relative to the total value of the commingled fund.

Valuation Method: Consistent with generally accepted accounting principles outlined in Statements of Financial Accounting Standards Nos. 35 ("Accounting and Reporting by Defined Benefit Pension Plans"), 60 ("Accounting and Reporting by Insurance Enterprises"), and 87 ("Employers' Accounting for Pensions"), PBGC reports its assets and liabilities at fair value. A primary objective of PBGC's financial statements is to provide financial information that is useful in assessing PBGC's present and future ability to ensure that defined benefit pension plan beneficiaries receive benefits when due. PBGC believes that measuring its assets and liabilities at fair value provides the most relevant information to the reader.

Cash and Cash Equivalents: Cash includes cash on hand and demand deposits. Cash equivalents are securities with a maturity of one business day.

Investment Valuation and Income: PBGC bases fair values on the last sale of a listed security, on the mean of the "bid-and-asked" for nonlisted securities, or on a valuation model in the case of fixed-income securities that are not actively traded. These valuations are determined as of the end of each fiscal year. Purchases and sales of securities are recorded on the trade date. Investment income is accrued as earned. Dividend income is recorded on the ex-dividend date. Realized gains and losses on sales of investments are calculated using an average cost basis. Any increase or decrease in the market value of a plan's assets occurring after the date on which the plan is terminated must, by law, be credited to or suffered by PBGC (see Notes 3, 5, and 12).

Sponsors of Terminated Plans, Receivables: The amounts due from sponsors of terminated plans or members of their controlled group represent the settled claims for employer liability (underfunding as of date of plan termination) and for contributions due their plan less an allowance for uncollectible amounts. PBGC discounts any amounts expected to be received beyond one year for time and risk factors. Some agreements between PBGC and plan sponsors provide for contingent payments based on future profits of the sponsors. The Corporation will report any such future amounts realized in the period in which they accrue or are received.

Premiums: Premiums receivable represent the earned but unpaid portion of the premiums for plans that have a plan year commencing before the end of PBGC's fiscal year and past due premiums deemed collectible, including collectible penalties and interest. Unearned premiums represent an estimate of payments received during the fiscal year that cover the portion of a plan's year after the Corporation's fiscal yearend. Premium income represents revenue generated from self-assessments from defined benefit pension plans as required by Title IV of ERISA (see Note 10).

Present Value of Future Benefits (PVFB): The PVFB is the estimated liability for future pension benefits that PBGC is or will be obligated to pay with respect to trusteed plans and terminated plans pending trusteeship. This liability is stated as the actuarial present value of estimated future benefits less the present value of estimated recoveries from sponsors and members of their controlled group and the assets of terminated plans pending trusteeship. PBGC also includes the estimated liabilities attributable to probable future plan terminations as a separate line item in the PVFB (net of estimated recoveries and assets). To measure the actuarial present value, PBGC used assumptions to adjust the value of those future payments to reflect the time value of money (by discounting) and the probability of payment (by means of decrements, such as for death or retirement). PBGC also included anticipated expenses to settle the benefit obligation in the determination of the PVFB.

(1) Trusteed Plans — represents the present value of future benefit payments less the present value of expected recoveries (for which a settlement agreement has not been reached with sponsors and members of their controlled group) for plans that have terminated and been trusteed by PBGC prior to fiscal yearend.

(2) Terminated Plans Pending Trusteeship — represents the present value of future benefit payments less the plans' net assets (at fair value) anticipated to be received and the present value of expected recoveries (for which a settlement agreement has not been reached with sponsors and members of their controlled group) for plans that have terminated but have not been trusteed by PBGC prior to fiscal yearend.

(3) Settlements and Judgments — represents estimated liabilities related to settled litigation.

(4) Net Claims for Probable Terminations — includes reasonable estimates of the losses, net of plan assets and the present value of expected recoveries (from sponsors and members of their controlled group) for plans that are likely to terminate in a future year. These estimated losses are based on conditions that existed as of PBGC's fiscal yearend. It is likely that one or more events subsequent to PBGC's fiscal yearend will occur, confirming the fact of the loss.

PBGC's benefit payments to participants represent a reduction to the PVFB (see Note 5).

Present Value of Nonrecoverable Future Financial Assistance: In accordance with Title IV of ERISA, PBGC provides financial assistance to multiemployer plans, in the form of loans, to enable the plans to pay guaranteed benefits to participants and reasonable administrative expenses. These loans, issued in exchange for interest-bearing promissory notes, constitute an obligation of each plan.

The present value of nonrecoverable future financial assistance represents the estimated nonrecoverable payments to be provided by PBGC in the future to multiemployer plans that will not be able to meet their benefit obligations. The present value of nonrecoverable future financial assistance is based on the difference between the present value of future guaranteed benefits and expenses and the market value of plan assets, including the present value of future amounts expected to be paid by employers, for those plans that are expected to require future assistance. The amount reflects the rates at which, in the opinion of management, these liabilities (net of expenses) could be settled in the market for single-premium nonparticipating group annuities issued by private insurers (see Note 6).

Other Expenses: These expenses represent a current period estimate of the net amount of receivables deemed to be uncollectible. The estimate is based on the most recent status of the debtor (e.g., sponsor), the age of the receivables, and other factors that indicate the element of uncollectibility in the receivables outstanding.

Losses from Completed and Probable Terminations: Amounts reported as losses from completed and probable terminations represent the difference as of the date of plan termination between the present value of future benefits (including amounts owed under Section 4022(c) of ERISA) assumed, or expected to be assumed, by PBGC, less related plan assets and the present value of expected recoveries from sponsors and members of their controlled group (see Note 11). In addition, the plans' net income from date of plan termination to the beginning of the fiscal year is included as a component of losses from completed and probable terminations for plans with termination dates prior to the year in which they were added to PBGC's inventory of terminated plans.

Actuarial Adjustments and Charges: PBGC classifies actuarial adjustments related to changes in method and the effect of experience as underwriting activity. Actuarial charges related to changes in interest rates and passage of time are classified as financial activity. These adjustments and charges represent the change in the PVFB that results from applying actuarial assumptions in the calculation of future benefit liabilities (see Note 5).

Depreciation: PBGC calculates depreciation of its furniture and equipment on a straight-line basis over the estimated useful lives of the assets. The useful lives range from 5 to 10 years. Routine maintenance and leasehold improvements (the amounts of which are not material) are charged to operations as incurred.

NOTE 3 — INVESTMENTS

Premium receipts are invested in securities issued by the U.S. Government.

The trust funds include assets PBGC acquires or expects to acquire with respect to terminated plans and investment income thereon. These assets generally are held by custodian banks.

The basis and market value of the investments by type are detailed below. The basis indicated is cost of the asset if acquired after the date of plan termination or the market value at date of plan termination if the asset was acquired as a result of a plan's termination. Realized and unrealized gains and losses, in addition to interest and dividends earned on these investments, are disclosed in Note 12.

INVESTMENTS OF SINGLE-EMPLOYER REVOLVING FUNDS AND SINGLE-EMPLOYER TRUSTEED PLANS

(Dollars in millions)

	September 30, 1999		September 30, 1998	
	Basis	**Market Value**	Basis	Market Value
Fixed maturity securities:				
U.S. Government securities	**$10,187**	**$10,002**	$ 9,145	$10,516
Commercial paper	**34**	**34**	0	0
Corporate bonds	**152**	**152**	13	14
Subtotal	**10,373**	**10,188**	9,158	10,530
Equity securities	**4,376**	**7,342**	4,070	6,048
Real estate and real estate investment trusts	**11**	**13**	31	39
Other:				
Insurance contracts	**49**	**36**	39	33
Mortgages	**51**	**51**	1	2
Other investments	**1**	**1**	0	0
Total	**$14,861**	**$17,631**	$13,299	$16,652

INVESTMENTS OF MULTIEMPLOYER REVOLVING FUNDS AND MULTIEMPLOYER TRUSTEED PLANS

(Dollars in millions)

	September 30, 1999		September 30, 1998	
	Basis	Market Value	Basis	Market Value
Fixed maturity securities:				
U.S. Government securities	$681	$669	$620	$712
Equity securities	2	3	2	3
Total	$683	$672	$622	$715

In 1999, PBGC invested in PIMCO StocksPLUS strategy and the Flagship S&P 500 Index Fund, which contained derivative instruments. The market value of PBGC's PIMCO StocksPLUS portfolio is approximately $203 million at September 30, 1999. PIMCO's objective is to exceed, net of fees, the total rate of return of the benchmark capitalization weighted Standard & Poor's ("S&P") 500 Index over a full market cycle. PBGC accomplished the objective typically, but not exclusively, by holding long positions in stock index futures while actively managing liquid debt securities backing futures positions. PBGC began investing in the PIMCO StocksPLUS strategy in fiscal year 1999. The market value of the derivatives in the Flagship S&P 500 Index Fund was approximately $28 million at September 30, 1999, as compared to approximately $41 million at September 30, 1998.

NOTE 4 — RECEIVABLES, NET: SPONSORS OF RESTORED PLANS

During 1999, the LTV Corporation redeemed its $48 million, 8 1/2% interest-bearing note, which was due to mature on December 31, 2020.

NOTE 5 — PRESENT VALUE OF FUTURE BENEFITS

The following table summarizes the actuarial adjustments, charges, and credits that explain how the Corporation's single-employer program liability for the present value of future benefits changed for the years ended September 30, 1999 and 1998.

PBGC used a 25-year select interest rate of 7.0% followed by an ultimate rate of 6.5% for 1999 and a 25-year select interest rate of 5.7% followed by an ultimate rate of 5.75% for 1998. These rates were determined to be those needed to continue to match the survey of annuity prices provided by the American Council of Life Insurers (formerly the American Council of Life Insurance). PBGC's regulations state that both the interest rate and the length of the select period may vary to produce the best fit with these prices. The prices reflect rates at which, in the opinion of management, the liabilities (net of expenses) could be settled in the market at September 30, for single-premium nonparticipating group annuities issued by private insurers. Many factors, including Federal Reserve policy, may impact these rates.

PBGC used the 1994 Group Annuity Mortality (GAM) Static Table (with margins), set forward two years and projected 14 years to 2008 using Scale AA.

The reserve for administrative expenses in the 1999 and 1998 valuation was assumed to be 1.3 percent of benefit liabilities plus additional reserves for cases whose plan asset determinations, participant database audits, and actuarial valuations were not yet complete. The factors to determine the additional reserves were based on case size, number of participants, and time since trusteeship.

The present values of future benefits for trusteed multiemployer plans for 1999 and 1998 reflect the payment of benefits and the changes in interest assumptions, passage of time, and the effect of experience.

The resulting liability represents PBGC's best estimate of the measure of anticipated experience under these programs.

RECONCILIATION OF THE PRESENT VALUE OF FUTURE BENEFITS FOR THE YEARS ENDED SEPTEMBER 30, 1999 AND 1998

(Dollars in millions)

	September 30,			
	1999		1998	
Present value of future benefits, at beginning of year — Single-Employer, net		**$12,281**		$11,497
Estimated recoveries		**12**		12
Assets of terminated plans pending trusteeship, net		**29**		103
Present value of future benefits at beginning of year, gross		**12,322**		11,612
Settlements and judgments		**(319)**		(248)
Net claims for probable terminations, prior year		**(1,426)**		(1,108)
Actuarial adjustments — underwriting:				
Changes in method and assumptions	**$ (105)**		$ (174)	
Effect of experience	**(8)**		(45)	
Total actuarial adjustments — underwriting	**(113)**		(219)	
Actuarial charges (credits) — financial:				
Passage of time	**601**		621	
Change in interest rates	**(1,090)**		413	
Total actuarial charges (credits) — financial	**(489)**		1,034	
Total actuarial charges (credits)		**(602)**		815
Terminations:				
Current year	**614**		414	
Changes in prior year	**141**		(61)	
Total terminations		**755**		353
Benefit payments*		**(901)**		(847)
Estimated recoveries		**(30)**		(12)
Assets of terminated plans pending trusteeship, net		**(41)**		(29)
Settlements and judgments		**228**		319
Net claims for probable terminations:				
Future benefits**	**2,851**		3,309	
Estimated plan assets and recoveries from sponsors	**(1,764)**		(1,883)	
Total net claims, current year		**1,087**		1,426
Present value of future benefits, at end of year — Single-Employer, net		**11,073**		12,281
Present value of future benefits, at end of year — Multiemployer		**5**		6
Total present value of future benefits, at end of year, net		**$11,078**		$12,287

* The benefit payments of $901 million and $847 million include $15 million in 1999 and $8 million in 1998 for benefits paid from plan assets by plans prior to trusteeship.

** The future benefits for probable terminations of $2,851 million and $3,309 million for fiscal years 1999 and 1998, respectively, include $124 million and $119 million, respectively, in net claims (future benefits less estimated plan assets and recoveries) for probable terminations not specifically identified and $2,727 million and $3,190 million, respectively, in net claims for specifically identified probables.

ASSETS OF SINGLE-EMPLOYER TERMINATED PLANS PENDING TRUSTEESHIP, NET

(Dollars in millions)

	September 30, 1999		September 30, 1998	
	Basis	**Market Value**	Basis	Market Value
U.S. Government securities	**$ 2**	**$ 2**	$ 2	$ 2
Corporate bonds	**17**	**17**	10	10
Equity securities	**17**	**17**	13	14
Insurance contracts	**5**	**5**	2	2
Other	**0**	**0**	1	1
Total, net	**$41**	**$41**	$28	$29

Net Claims for Probable Terminations: Factors that are presently not fully determinable may be responsible for these claim estimates differing from actual experience. Included in net claims for probable terminations is a provision for future benefit liabilities for plans not specifically identified.

The values recorded in the following reconciliation table have been adjusted to the expected dates of termination.

RECONCILIATION OF NET CLAIMS FOR PROBABLE TERMINATIONS

(Dollars in millions)

	September 30,			
	1999		1998	
Net claims for probable terminations, at beginning of year		**$1,426**		$1,108
New claims	**$ 158**		$ 284	
Actual terminations	**(247)**		(56)	
Eliminated probables	**(51)**		(26)	
Change in benefit liabilities	**(243)**		260	
Change in plan assets	**(34)**		(190)	
Change in expected recoveries	**78**		46	
Loss on probables		**(339)***		318*
Net claims for probable terminations, at end of year		**$1,087**		$1,426

* See Note 11

NOTE 6 — MULTIEMPLOYER FINANCIAL ASSISTANCE

PBGC provides financial assistance to multiemployer defined benefit pension plans in the form of loans. An allowance is set up to the extent that repayment of these loans is not expected. Negotiations with a multiemployer plan produced a final agreement in December 1997, under which the plan repaid $3.2 million in financial assistance in January 1998.

NOTES RECEIVABLE MULTIEMPLOYER FINANCIAL ASSISTANCE

(Dollars in millions)

	September 30,	
	1999	1998
Gross balance at beginning of year	**$ 38**	$ 35
Financial assistance payments—current year	**5****	6
Financial assistance repayment	**0**	(3)
Subtotal	**43**	38
Allowance for uncollectible amounts	**(43)**	(38)
Net balance at end of year	**$ 0**	$ 0

The losses (gains) from financial assistance reflected in the Statements of Operations and Changes in Net Position include annual changes in the estimated present value of nonrecoverable future financial assistance and assistance granted that was not previously accrued.

PRESENT VALUE OF NONRECOVERABLE FUTURE FINANCIAL ASSISTANCE AND LOSSES FROM FINANCIAL ASSISTANCE

(Dollars in millions)

	September 30, 1999	1998
Balance at beginning of year	**$389**	$361
Changes in allowance:		
Losses from financial assistance	**109**	34
Financial assistance granted (previously accrued)	**(19)****	(6)
Balance at end of year	**$479**	$389

** PBGC provided assistance during 1999 in a lump sum of $14 million to one plan based on an agreement. $5 million was provided in assistance to 20 other plans, in return for notes receivable. Early in fiscal year 2000, PBGC provided approximately $86 million in assistance (which had previously been recorded as a probable loss) to another plan in a lump sum.

NOTE 7 — ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table itemizes accounts payable and accrued expenses reported in the Statements of Financial Condition:

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

(Dollars in millions)

	September 30, 1999	1998
Due for purchase of securities	**$ 59**	$33
Annual leave	**3**	4
Other payables and accrued expenses	**50**	35
Accounts payable and accrued expenses	**$112**	$72

NOTE 8 — CONTINGENCIES

There are a number of large single-employer plans that may terminate. In addition, there are some multiemployer plans that may require future financial assistance. The amounts disclosed below represent the Corporation's best estimates given the inherent uncertainties about these plans.

PBGC estimated that total unfunded vested benefits on termination of single-employer plans that represented reasonably possible exposure as of September 30, 1999, ranged from $17 billion to $19 billion. This exposure was primarily in the steel, airline, communications, general merchandise, and transportation equipment industries. PBGC calculated this estimate as in previous years by using data obtained from filings with the government and corporate annual reports for fiscal years ending in calendar 1998. The Corporation adjusted the value reported for liabilities in the $17 billion estimate to the December 31, 1998, PBGC select interest rate of 5.3%. When available, data was adjusted to a consistent set of mortality assumptions. The Corporation eliminated plans not insured by PBGC from the data. PBGC made no provision for the possible failure of the plan sponsor to make subsequent contributions or for plan liabilities that would be incurred after that date.

PBGC included amounts in the liability for the present value of nonrecoverable future financial assistance (see Note 6) for multiemployer plans that PBGC estimated may require future financial assistance. In addition, PBGC currently estimates that it is reasonably possible that other multiemployer plans may require future financial assistance in the amount of $151 million.

The Corporation calculated the future financial assistance liability for each multiemployer plan identified as probable or reasonably possible as the present value of guaranteed future benefit and expense payments as of the later of September 30, 1999, or the projected (or actual, if known) date of plan insolvency, discounted back to September 30, 1999, using interest only. The Corporation's identification of plans that are likely to require such assistance and estimation of related amounts require consideration of many complex factors. These factors are affected by future events, including actions by plans and their sponsors, most of which are beyond the Corporation's control.

PBGC used select and ultimate interest rate assumptions of 7.0% for the first 25 years after the valuation date and 6.5% thereafter. The Corporation also used the 1994 Group Annuity Mortality Static Table (with margins), set forward two years, projected to 2008 using Scale AA.

NOTE 9 — COMMITMENTS

PBGC leases its office facility under a commitment that began on December 11, 1993, and expires December 10, 2008. The lease provides for periodic rate increases based on increases in operating costs and real estate taxes over a base amount. In addition, PBGC is leasing space for field benefit administrators. These leases began in 1996 and expire in 2008. The minimum future lease payments for office facilities having noncancellable terms in excess of one year as of September 30, 1999, are as follows:

COMMITMENTS: FUTURE LEASE PAYMENTS

(Dollars in millions)

Years Ending September 30,	Operating Leases
2000	$ 11.8
2001	12.1
2002	12.3
2003	12.2
2004	12.4
Thereafter	55.0
Minimum lease payments	$115.8

Lease expenditures were $11.7 million in 1999 and $11.7 million in 1998.

NOTE 10 — PREMIUMS

For both the single-employer and multiemployer programs, ERISA provides that PBGC shall continue to guarantee basic benefits despite the failure of a plan administrator to pay premiums when due. PBGC assesses interest and penalties on the unpaid amount for late payment or underpayment of premiums. Late payment interest continues to accrue until the premium due is paid, while the amount of penalty that can be levied is capped at 100 percent of the premium late payment or underpayment. Annual premiums for the single-employer program are $19 per participant for a fully funded plan. Underfunded single-employer plans pay an additional variable-rate charge, based on funding levels. The multiemployer premium is $2.60 per participant.

Beginning with the 1999 plan year, the final filing due date for a plan whose premium payment year begins on the first of the month is one month later than it was for the 1998 plan year; for a plan whose premium payment year begins on a date other than the first of the month, the final filing due date is two months later than it was for the 1998 plan year. The change in the premium due date resulted in approximately $255 million in cash receipts being received in FY 2000 instead of being received in FY 1999. The $255 million includes both earned and unearned premiums. The earned portion has been included in the $240 million premium receivable at 9/30/99. See Note 2 for further information on premium accounting policies.

NOTE 11 — LOSSES FROM COMPLETED AND PROBABLE TERMINATIONS

Amounts reported as losses are the present value of future benefits (including amounts owed under Section 4022(c)) less related plan assets and the present value of expected recoveries from sponsors. The following table details the components that make up the losses:

LOSSES FROM COMPLETED AND PROBABLE TERMINATIONS — SINGLE-EMPLOYER PROGRAM

(Dollars in millions)

	For the Years Ended September 30,					
	1999			1998		
	New Terminations	**Changes in Prior Year Terminations**	**Total**	New Terminations	Changes in Prior Year Terminations	Total
Present value of future benefits	**$614**	**$141**	**$ 755**	$414	$(61)	$353
Less plan assets	**386**	**16**	**402**	236	(38)	198
Plan asset insufficiency	**228**	**125**	**353**	178	(23)	155
Less estimated recoveries	**4**	**(4)**	**0**	1	(1)	0
Subtotal	**$224**	**$129**	**353**	$177	$(22)	155
Settlements and judgments			**35**			111
Probables			**(339)***			318*
Total			**$ 49**			$584

* See Note 5

NOTE 12 — FINANCIAL INCOME

FINANCIAL INCOME

(Dollars in millions)

	For the Years Ended September 30,					
	1999			1998		
	Terminated Plans Pending Trusteeship	**Revolving Funds and Trusteed Plans**	**Total**	Terminated Plans Pending Trusteeship	Revolving Funds and Trusteed Plans	Total
Fixed-income securities:						
Interest earned	**$0**	**$ 742**	**$ 742**	$0	$ 675	$ 675
Realized gain	**0**	**57**	**57**	0	427	427
Unrealized gain (loss)	**0**	**(1,661)**	**(1,661)**	0	1,025	1,025
Total fixed-income securities	**0**	**(862)**	**(862)**	0	2,127	2,127
Equity securities:						
Dividends earned	**1**	**45**	**46**	1	50	51
Realized gain	**0**	**513**	**513**	0	623	623
Unrealized gain (loss)	**0**	**989**	**989**	0	(553)	(553)
Total equity securities	**1**	**1,547**	**1,548**	1	120	121
Other income (loss)	**0**	**(14)**	**(14)**	0	3	3
Total financial income	**$1**	**$ 671**	**$ 672**	$1	$2,250	$2,251

NOTE 13 — EMPLOYEE BENEFIT PLANS

All permanent full-time and part-time PBGC employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Full-time and part-time employees with less than five years service under CSRS and hired after December 31, 1983, are automatically covered by both Social Security and FERS. Employees hired before January 1, 1984, participate in CSRS unless they elected and qualified to transfer to FERS.

The Corporation's contribution to the CSRS plan, for both 1999 and 1998, was 8.51 percent of base pay for those employees covered by that system. For those employees covered by FERS, the Corporation's contribution was 10.7 percent of base pay for both 1999 and 1998. In addition, for FERS-covered employees, PBGC automatically contributes 1 percent of base pay to the employee's Thrift Savings account, matches the first 3 percent contributed by the employee, and matches one-half of the next 2 percent contributed by the employee. Total retirement plan expenses amounted to $7 million in 1999 and $6 million in 1998.

These financial statements do not reflect CSRS or FERS assets or accumulated plan benefits applicable to PBGC employees. These amounts are reported by the U.S. Office of Personnel Management (OPM) and are not allocated to the individual employers. OPM accounts for federal health and life insurance programs for those eligible retired PBGC employees who had selected federal government-sponsored plans. PBGC does not offer other supplemental health and life insurance benefits to its employees.

NOTE 14 — CASH FLOWS

The following is a reconciliation between the net income as reported in the Statements of Operations and Changes in Net Position and net cash provided by operating activities as reported in the Statements of Cash Flows.

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

(Dollars in millions)

	Single-Employer Program		Multiemployer Program		Memorandum Total	
	September 30,		September 30,		September 30,	
	1999	1998	**1999**	1998	**1999**	1998
Net income	**$2,026**	$1,531	**$(142)**	$122	**$1,884**	$1,653
Adjustments to reconcile net income to net cash provided by operating activities:						
Net appreciation in fair value of investments	**29**	(1,411)	**101**	(91)	**130**	(1,502)
Net income of terminated plans pending trusteeship	**(2)**	(10)	**0**	0	**(2)**	(10)
Loss on completed and probable terminations	**49**	584	**0**	0	**49**	584
Actuarial charges (credits)	**(602)**	815	**0**	0	**(602)**	815
Benefit payments-trusteed plans	**(886)**	(839)	**(1)**	(1)	**(887)**	(840)
Settlements and judgments	**(125)**	(40)	**0**	0	**(125)**	(40)
Cash received from plans upon trusteeship	**17**	67	**0**	0	**17**	67
Changes in assets and liabilities, net of effects of trusteed and pending plans:						
(Increase) decrease in receivables	**(182)**	39	**(2)**	3	**(184)**	42
Increase in present value of nonrecoverable future financial assistance			**90**	28	**90**	28
Increase (decrease) in unearned premiums	**(58)**	(5)	**0**	0	**(58)**	(5)
Increase in accounts payable	**40**	7	**0**	0	**40**	7
Net cash provided by operating activities	**$ 306**	$ 738	**$ 46**	$ 61	**$ 352**	$ 799

NOTE 15 — LITIGATION

PBGC records as a liability on its financial statements an estimated cost for unresolved litigation to the extent that losses in such cases are probable and estimable in amount. In addition to such recorded costs, PBGC estimates that possible losses of up to $30 million could be incurred in the event that PBGC does not prevail in these matters.

Actuarial Valuation

PBGC calculated and validated the present value of future PBGC-payable benefits (PVFB) for both the single-employer and multiemployer programs and of nonrecoverable future financial assistance under the multiemployer program. Methods and procedures for both single-employer and multiemployer plans were generally the same as those used in 1998.

PRESENT VALUE OF FUTURE BENEFITS AND NONRECOVERABLE FINANCIAL ASSISTANCE - 1999

(Dollars in millions)

	Number of Plans	Number of Participants (000)	Liability
I. SINGLE-EMPLOYER PROGRAM			
A. Terminated plans			
1. Seriatim at fiscal yearend (FYE)	1,838	207	$ 5,253
2. Seriatim at DOPT, adjusted to FYE	298	72	2,005
3. Nonseriatim[1]	639	166	2,783
4. Rettig Settlement (seriatim)[2]	—	*	1
5. Missing Participants Program (seriatim)[3]	—	9	15
Subtotal	2,775	454	10,057
B. Probable terminations (nonseriatim)[4]	25	71	2,851
Total [5]	2,800	525	$12,908
II. MULTIEMPLOYER PROGRAM			
A. Pre-MPPAA terminations (seriatim)	10	1	$ 5
B. Post-MPPAA liability (net of plan assets)[6]	46	77	480
Total	56	78	$485

* Fewer than 500 participants

Notes:

1) The liability for terminated plans has been increased by $268 million for terminated plans not yet reported and for other settlements.

2) The Rettig Settlement refers to the liability that PBGC incurred due to the settlement of a class action lawsuit that increased benefits for some participants and provided new benefits to others. The remaining participants not yet paid are valued seriatim.

3) The Missing Participants Program refers to a liability that PBGC assumed for unlocated participants in standard plan terminations.

4) The net claims for probable plans reported in the financial statements include $124 million for not-yet-identified probable terminations. The assets for these probable plans, including the expected value of recoveries on employer liability and due-and-unpaid employer contributions claims, are $1,764 million. Thus, the net claims for probables as reported in the financial statements are $2,851 million less $1,764 million, or $1,087 million.

5) The PVFB in the financial statements ($11,073 million) is net of estimated plan assets and recoveries on probables ($1,764 million), estimated recoveries on terminated plans ($30 million), and estimated assets for plans pending trusteeship ($41 million), or, $12,908 million less $1,764 million less $30 million less $41 million = $11,073 million.

6) The Post-MPPAA liability includes $87 million for settlements with multiemployer pension funds.

SINGLE-EMPLOYER PROGRAM

PBGC calculated the single-employer program's liability for benefits in the terminated plans and probable terminations, as defined in Note 2 to the financial statements, using a combination of two methods: seriatim and nonseriatim. For 1,838 plans, representing about 66 percent of the total number of single-employer terminated plans (46 percent of the total participants in single-employer terminated plans), PBGC had sufficiently accurate data to calculate the liability separately for each participant's benefit — the seriatim method. This was an increase of 187 plans over the 1,651 plans valued seriatim last year. For 298 plans whose data were not yet fully automated, PBGC calculated the benefits and liability seriatim as of the date of plan termination (DOPT) and brought the total amounts forward to the end of fiscal year 1999.

For 639 other terminated plans, PBGC did not have sufficiently accurate or complete data to value individual benefits. Instead, the Corporation used a "nonseriatim" method that brought the liabilities from the plan's most recent actuarial valuation forward to the end of fiscal year 1999 using certain assumptions and adjustment factors.

For the actuarial valuation, PBGC used a select and ultimate interest rate assumption of 7.0% for the first 25 years after the valuation date and 6.5% thereafter. The mortality assumption used for valuing healthy lives, which differs from that used in 1998, was the 1994 Group Annuity Mortality Static Table (with margins), set forward two years, projected 14 years to 2008 using Scale AA. The projection period is determined as the sum of the elapsed time from the date of the table (1994) to the valuation date plus the period of time from the valuation date to the average date of payment of future benefits. PBGC assumed an explicit loading for expenses in all terminated plans and single-employer probable terminations. The reserve for expenses in the 1999 valuation was assumed to be 1.3 percent of the liability for benefits plus additional reserves for cases whose plan asset determinations, participant database audits, and actuarial valuations were not yet complete. The factors to determine the additional reserves were based on case size, number of participants, and time since trusteeship.

For non-pay-status participants, PBGC used expected retirement ages, as explained in subpart B of the Allocation of Assets in Single-Employer Plans regulation. PBGC assumed that participants who had attained their expected retirement age were in pay status. In seriatim plans, for participants who were older than their plan's normal retirement age, were not in pay status, and were unlocated at September 30, 1999, PBGC reduced the value of their future benefits to zero over the three years succeeding normal retirement age to reflect the lower likelihood of payment.

MULTIEMPLOYER PROGRAM

PBGC calculated the liability for the 10 pre-MPPAA terminations using the same assumptions and methods applied to the single-employer program.

PBGC based its valuation of the post-MPPAA liability for nonrecoverable future financial assistance on the most recent available actuarial reports, Form 5500 Schedule B's, and information provided by representatives of the affected plans. The Corporation expected 46 plans to need financial assistance because severe industrial declines have left them with inadequate contribution bases and they had insufficient assets for current payments or were expected to run out of assets in the foreseeable future.

STATEMENT OF ACTUARIAL OPINION

This valuation has been prepared in accordance with generally accepted actuarial principles and practices and, to the best of my knowledge, fairly reflects the actuarial present value of the Corporation's liabilities for the single-employer and multiemployer plan insurance programs as of September 30, 1999.

In preparing this valuation, I have relied upon information provided to me regarding plan provisions, plan participants, plan assets, and other matters, some of which are detailed in a complete Actuarial Report available from PBGC.

In my opinion, (1) the techniques and methodology used for valuing these liabilities are generally acceptable within the actuarial profession; (2) the assumptions used are appropriate for the purposes of this statement and are individually my best estimate of expected future experience discounted using current settlement rates from insurance companies; and (3) the resulting total liability represents my best estimate of anticipated experience under these programs.

Joan M Weiss

Joan M. Weiss, FSA, EA
Chief Valuation Actuary, PBGC
Member, American Academy of Actuaries

A complete actuarial valuation report, including additional actuarial data tables, is available from PBGC upon request.

Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026

PBGC
U.S. GOVERNMENT AGENCY
25 Years of Pension Protection

Office of Inspector General

To the Board of Directors
Pension Benefit Guaranty Corporation

This letter transmits the PricewaterhouseCoopers LLP (PricewaterhouseCoopers) report on the audit of the Fiscal Years (FYs) 1999 and 1998 financial statements of Single-Employer and Multiemployer Program Funds administered by the Pension Benefit Guaranty Corporation (PBGC) and the results of the Office of Inspector General's (OIG) review thereon.

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576), as amended, requires PBGC's Inspector General or an independent external auditor, as determined by the Inspector General, to audit PBGC's financial statements. The audit is to be performed in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States and other applicable requirements.

PricewaterhouseCoopers issued an unqualified opinion on the FYs 1999 and 1998 financial statements of Single-Employer and Multiemployer Program Funds administered by PBGC, and also issued two additional reports - an unqualified opinion on PBGC management's assertion about the effectiveness of its internal control and a report on PBGC's compliance with laws and regulations. However, the audit identified four reportable conditions in PBGC's internal control.

1. PBGC needs to integrate its financial management systems and improve its systems development life cycle methodology;
2. PBGC needs to improve and fully test its plan for maintaining continuity of operations;
3. PBGC needs to further improve controls surrounding the Participant Records Information Systems Management application; and
4. PBGC needs to further strengthen controls to protect its information.

To fulfill our responsibility under the CFO Act, we monitored the quality of audit work performed in accordance with *Government Auditing Standards*. Specifically, we:

- reviewed PricewaterhouseCoopers' approach and planning of the audit;
- evaluated the qualifications and independence of its auditors;
- monitored the progress of the audit at key points;
- examined its working papers and reports to evaluate compliance with *Government Auditing Standards*; and
- performed other procedures that we deemed necessary.

Based on the results of our review, the OIG determined that PricewaterhouseCoopers planned, executed, and reported the results of its audit of FYs 1999 and 1998 financial statements of Single-Employer and Multiemployer Program Funds administrated by PBGC in accordance with applicable standards. Therefore, in our opinion, PricewaterhouseCoopers' work generally provides a reasonable basis on which to render its January 14, 2000 opinion, and we concur with its report.

A set of PricewaterhouseCoopers' reports (2000-7/23138-2) is available upon request from the PBGC's Office of Inspector General.

Sincerely,

Wayne Robert Poll

Wayne Robert Poll
Inspector General

February 23, 2000

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
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Arlington VA 22209-3195
Telephone (703) 741 1000
Facsimile (703) 741 1616

Report of Independent Accountants

To the Inspector General
Pension Benefit Guaranty Corporation

We have audited the accompanying statements of financial condition as of September 30, 1999 and 1998, of the Single-Employer and Multiemployer Program Funds administered by the Pension Benefit Guaranty Corporation (PBGC or the Corporation) and the related statements of operations and changes in net position and statements of cash flows for the years then ended. These financial statements are the responsibility of PBGC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Single-Employer and Multiemployer Program Funds administered by PBGC as of September 30, 1999 and 1998, and the results of their operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

By law, PBGC's Single-Employer Program Fund (the Fund) must be self-sustaining and as such, its premiums must be sufficient to cover both its short and long-term obligations. The Fund is able to meet its short-term benefit obligations and internal analyses indicate that the combined effect of future premium revenue and reduced underfunding of single-employer plans may allow the Fund to meet its future obligations as well. While the Fund's statement of financial condition reports a net position (assets in excess of liabilities) of $7.0 billion at September 30, 1999, losses that are "reasonably possible" as a result of unfunded vested benefits are estimated to be in the range of $17 billion to $19 billion, as discussed in Note 8. To the extent contingent losses currently classified as "reasonably possible" become more likely, such as from deteriorating economic conditions or from insolvency of a large plan sponsor, the Fund's net position could be depleted.

The Actuarial Valuation and other supplemental information contain a wide range of data, some of which are not directly related to the principal financial statements. We do not express an overall opinion on this information. However, we compared this information for consistency with the principal financial statements and discussed the methods of measurement and presentation with PBGC officials. Based on this limited work, we found no material inconsistencies with the principal financial statements.

In addition, in accordance with *Government Auditing Standards*, we have issued reports dated January 14, 2000, on PBGC management's assertion about the effectiveness of its internal control and on its compliance with laws and regulations.

PricewaterhouseCoopers LLP

January 14, 2000
Arlington, Virginia

2000-6 / 23138-1

Organization

BOARD OF DIRECTORS

Alexis M. Herman, Chairman
Secretary of Labor

Lawrence H. Summers
Secretary of the Treasury

William M. Daley
Secretary of Commerce

EXECUTIVE MANAGEMENT

Pictured, left to right, are Deputy Executive Directors John Seal, N. Anthony Calhoun, and Joseph Grant, and Executive Director David Strauss.

David M. Strauss
Executive Director

N. Anthony Calhoun
Deputy Executive Director and Chief Financial Officer

Joseph Grant
Deputy Executive Director and Chief Operating Officer

John Seal
Deputy Executive Director and Chief Management Officer

Andrea E. Schneider
Chief Negotiator and
Director, Corporate Finance and Negotiations Department

Monica Healy
Senior Advisor to the Executive Director

Judy Schub
Assistant Executive Director for Legislative Affairs

PBGC ADVISORY COMMITTEE

(Appointed by the President of the United States)

Milton M. Irvin, *Chairman*

OFFICE OF INSPECTOR GENERAL

Wayne Robert Poll
Inspector General
[reports directly to the Chairman of the Board]

SENIOR CORPORATE MANAGEMENT

Sharon Barbee-Fletcher, *Director*
Human Resources Department

Cristin M. Birch, *Director*
Information Resources Management Department

Kathleen M. Blunt, *Director*
Strategic Planning

Martin O. Boehm, *Director*
Contracts and Controls Review Department

Hazel Broadnax, *Director*
Financial Operations Department

Bennie Hagans, *Director*
Insurance Operations Department

Robert Herting, *Director*
Procurement Department

James J. Keightley
General Counsel

Stuart A. Sirkin, *Director*
Corporate Policy and Research Department

Janet Smith, *Director*
Facilities and Services Department

Henry R. Thompson, *Director*
Budget Department

Harriet D. Verburg, *Director*
Participant and Employer Appeals Department and *Appeals Board Chair*

Judith Welles, *Director*
Communications and Public Affairs Department

Financial Summary

(Dollars in millions)

SINGLE-EMPLOYER PROGRAM	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
	Fiscal Year Ended September 30,									
Summary of Operations:										
Premium income	**$ 902**	966	1,067	1,146	838	955	890	875	741	659
Other income	**$ 3**	10	19	26	18	42	38	118	45	5
Investment income (losses)	**$ 728**	2,118	2,687	915	1,956	(380)	1,538	614	860	(109)
Actuarial charges (credits)	**$ (602)**	815	488	632	1,561	(926)	1,680	848	905	181
Losses from completed and probable terminations	**$ 49**	584	489	118	169	(249)	743	896	1,049	938
Loss on contingent value rights	**$ 0**	0	0	0	0	0	96			
Administrative and investment expenses	**$ 161**	158	155	150	138	135	107	97	71	63
Other expenses	**$ (1)**	6	29	3	19	0	0	0	212	162
Net income (loss)	**$ 2,026**	1,531	2,612	1,184	925	1,657	(160)	(234)	(591)	(789)
Summary of Financial Position:										
Cash and investments	**$17,965**	17,345	14,988	11,665	10,026	7,857	7,866	5,897	4,562	2,408
Total assets	**$18,431**	17,631	15,314	12,043	10,371	8,281	8,267	6,381	5,422	2,797
Present value of future benefits	**$11,073**	12,281	11,497	10,760	10,388	9,215	10,693	8,790	7,594	4,476
Net position	**$ 7,038**	5,012	3,481	869	(315)	(1,240)	(2,897)	(2,737)	(2,503)	(1,913)
Insurance Activity:										
Benefits paid	**$ 901**	847	823	790	761	719	720	634	514	369
Participants receiving monthly benefits at end of year	**214,160**	208,450	204,800	198,600	181,000	172,800	156,800	150,200	140,100	110,380
Plans trusteed and pending trusteeship by PBGC	**2,775**	2,655	2,500	2,338	2,084	1,961	1,848	1,760	1,644	1,558

(Dollars in millions)

MULTIEMPLOYER PROGRAM	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
	Fiscal Year Ended September 30,									
Summary of Operations:										
Premium income	**$ 23**	23	23	22	22	23	23	23	23	21
Other income (losses)	**$ 0**	0	0	1	0	0	(1)	1	1	1
Investment income (losses)	**$ (56)**	133	68	12	83	(46)	107	27	38	13
Actuarial charges (credits)	**$ 0**	0	(1)	1	2	(1)	2	(1)	3	1
Losses (gains) from financial assistance	**$ 109**	34	(3)	102	108	57	20	46	21	23
Administrative and investment expenses	**$ 0**	0	0	0	0	0	0	0	0	2
Net income (loss)	**$(142)**	122	95	(68)	(5)	(79)	107	6	38	9
Summary of Financial Position:										
Cash and investments	**$ 681**	736	585	498	472	374	405	279	236	183
Total assets	**$ 692**	745	596	505	477	378	407	283	238	190
Present value of future benefits	**$ 5**	6	7	9	10	10	13	13	16	15
Nonrecoverable future financial assistance, present value	**$ 479**	389	361	365	268	164	110	94	52	33
Net position	**$ 199**	341	219	124	192	197	276	169	163	132
Insurance Activity:										
Benefits paid	**$ 1**	1	1	2	2	2	2	2	2	2
Participants receiving monthly benefits from PBGC at end of year	**730**	850	1,000	1,100	1,300	1,400	1,590	1,760	1,990	2,170
Plans receiving financial assistance from PBGC	**21**	18	14	12	9	8	6	6	5	3

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