



Highlights of [GAO-09-716](#), a report to congressional requesters

# PENSION BENEFIT GUARANTY CORPORATION

## More Strategic Approach Needed for Processing Complex Plans Prone to Delays and Overpayments

### Why GAO Did This Study

As the insurer of over 29,000 private sector defined benefit plans, the Pension Benefit Guaranty Corporation (PBGC) may be required to assume responsibility for the plans of a growing number of companies filing bankruptcy due to the recession. Concerns about PBGC's benefit determination process, reductions in benefits due to guarantee limits, and workers' retirement security overall led the chairmen and ranking members of the Senate Health, Education, Labor, and Pensions Committee and the Senate Finance Committee, among others, to ask GAO to study:

- (1) how long it takes PBGC to make benefit determinations;
- (2) the extent of overpayments on retirees' benefits;
- (3) how well PBGC communicates with participants; and
- (4) the timeliness and accessibility of the appeals process.

To conduct this study, GAO reviewed PBGC policies and procedures, analyzed automated data and case files, and interviewed PBGC officials and certain associations, participants, and their representatives from among those most affected by the process.

### What GAO Recommends

GAO is recommending that PBGC develop a better strategy for processing complex plans in order to reduce delays, minimize overpayments, improve communication with participants, and make the appeals process more accessible. PBGC generally agreed with the recommendations.

[View GAO-09-716](#) or [key components](#). For more information, contact Barbara Bovbjerg at (202) 512-7215 or [bovjberg@gao.gov](mailto:bovjberg@gao.gov).

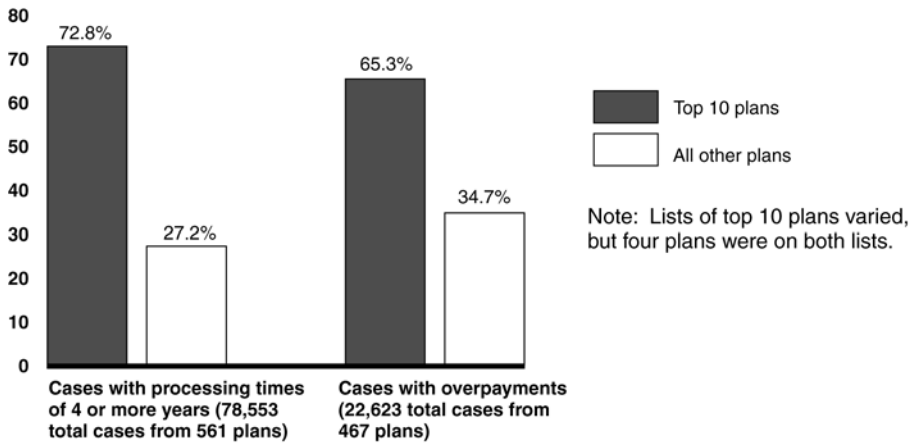
### What GAO Found

GAO's review of plans terminated with insufficient funds and trusted by PBGC during fiscal years 2000 through 2008 revealed that a small number of complex plans—especially those with large numbers of participants affected by limits on guaranteed benefit amounts—accounted for most cases with lengthy delays and overpayments.

**Processing times.** PBGC completed most participants' benefit determinations in less than 3 years, but required more time—up to 9 years—to process determinations for complex plans and plans with missing data. Nearly three-quarters of the lengthiest processing times were associated with individuals in just 10 of the 1,089 plans reviewed. Although PBGC has taken steps to shorten this process, its initiatives do not address the longest delays.

**Overpayments.** Although many participants are affected by sizable benefit reductions, the vast majority are not affected by overpayments. Moreover, nearly two-thirds of overpayments involved participants in just 10 plans. In cases with overpayments, PBGC's policy generally requires participants' benefits to be reduced by no more than 10 percent until the amount owed is repaid, but due to participants' ages, the full amount often is never recouped.

**Figure: A Small Number of Complex Plans Account for Most Delays and Overpayments**  
Percentage of cases



Source: GAO analysis of PBGC data on participants in plans terminated and trusted during fiscal years 2000 through 2008.

**Communication.** PBGC has made efforts to improve communication, but key correspondence often did not meet the needs of those in complex plans. For example, when the process was lengthy, PBGC did not communicate with some participants for several years. When the benefit calculation was complicated, PBGC did not provide explanations that could be understood without further information or assistance.

**Appeals.** Since restructuring the appeals process in 2003, PBGC has reduced the average amount of time needed to decide an appeal by almost a year. However, the agency does not readily provide key information that would be helpful to participants in deciding whether to pursue an appeal.