

**FY 2013**

**CONGRESSIONAL BUDGET JUSTIFICATION**

**PENSION BENEFIT GUARANTY CORPORATION**



# PENSION BENEFIT GUARANTY CORPORATION

## TABLE OF CONTENTS

Appropriation Language .....	1
Amounts Available for Obligation.....	2
Summary of Changes .....	3
Summary Budget Authority and FTE by Activity .....	5
Budget Authority by Object Class .....	6
Authorizing Statutes.....	7
Appropriation History .....	8
Overview .....	9
Organization Chart.....	21
Budget Activities .....	23
Pension Insurance .....	23
Pension Plan Termination and Benefits Administration.....	29
Operational Support .....	37
Office of Inspector General .....	45
Single-Employer Program Benefit Payments .....	53
Multiemployer Program Financial Assistance.....	57



# PENSION BENEFIT GUARANTY CORPORATION

## APPROPRIATION LANGUAGE

The Pension Benefit Guaranty Corporation ("Corporation") is authorized to make such expenditures, including financial assistance authorized by subtitle E of title IV of the Employee Retirement Income Security Act of 1974, within limits of funds and borrowing authority available to the Corporation, and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations, as provided by 31 U.S.C. 9104, as may be necessary in carrying out the program, including associated administrative expenses, through September 30, [2012] 2013, for the Corporation: Provided, That none of the funds available to the Corporation for fiscal year 2013 shall be available for obligations for administrative expenses in excess of [\$476,901,000] \$479,013,000: Provided further, That to the extent that the number of new plan participants in plans terminated by the Corporation exceeds 100,000 in fiscal year [2012] 2013, an amount not to exceed an additional \$9,200,000 shall be available through September 30, [2013] 2014 for obligation for administrative expenses for every 20,000 additional terminated participants: Provided further, That an additional \$50,000 shall be made available through September 30, [2013] 2014 for obligation for investment management fees for every \$25,000,000 in assets received by the Corporation as a result of new plan terminations or asset growth, after approval by the Office of Management and Budget and notification of the Committees on Appropriations of the House of Representatives and the Senate: Provided further, That obligations in excess of the amounts provided in this paragraph may be incurred for unforeseen and extraordinary pre-termination expenses or extraordinary multiemployer program related expenses after approval by the Office of Management and Budget and notification of the Committees on Appropriations of the House of Representatives and the Senate.

## PENSION BENEFIT GUARANTY CORPORATION

<b>AMOUNTS AVAILABLE FOR OBLIGATION</b>						
(Dollars in Thousands)						
	FY 2011 Enacted		FY 2012 Enacted		FY 2013 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
<b>A. Appropriation</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>
Administrative Activities						
Pension Insurance Operations	217	\$74,506	225	\$84,219	238	\$75,943
Pension Plan Termination	339	\$237,373	350	\$238,993	353	\$240,611
Operational Support	395	\$152,188	424	\$153,689	426	\$162,459
<b>Total Administrative Activities</b>	<b>951</b>	<b>\$464,067</b>	<b>999</b>	<b>\$476,901</b>	<b>1,017</b>	<b>\$479,013</b>
Program Activities						
Single-Employer Program Benefit Payments	0	\$6,009,000	0	\$5,920,000	0	\$6,534,000
Multiemployer Program Financial Assistance	0	\$131,000	0	\$111,000	0	\$118,000
<b>Total Program Activities</b>	<b>0</b>	<b>\$6,140,000</b>	<b>0</b>	<b>\$6,031,000</b>	<b>0</b>	<b>\$6,652,000</b>
<b>Total Program and Administrative Activities</b>	<b>951</b>	<b>\$6,604,067</b>	<b>999</b>	<b>\$6,507,901</b>	<b>1,017</b>	<b>\$7,131,013</b>
Offsetting Collections From:						
Interest on Federal Securities	0	\$797,000	0	\$819,000	0	\$871,000
Premium Receipts	0	\$2,547,000	0	\$2,221,000	0	\$3,528,000
Benefit Payment Reimbursements	0	\$3,440,000	0	\$3,252,000	0	\$3,843,000
Trust Fund for Administrative Expenses <sup>**1</sup>	0	\$452,465	0	\$463,000	0	\$465,000
<b>Subtotal, Offsetting Collections From</b>	<b>0</b>	<b>\$7,236,465</b>	<b>0</b>	<b>\$6,755,000</b>	<b>0</b>	<b>\$8,707,000</b>
<b>B. Gross Budget Authority</b>	<b>951</b>	<b>\$13,840,532</b>	<b>999</b>	<b>\$13,262,901</b>	<b>1,017</b>	<b>\$15,838,013</b>
Offsetting Collections To:						
Interest on Federal Securities	0	-\$797,000	0	-\$819,000	0	-\$871,000
Premium Receipts	0	-\$2,547,000	0	-\$2,221,000	0	-\$3,528,000
Benefits Payment Reimbursements	0	-\$3,440,000	0	-\$3,252,000	0	-\$3,843,000
Administrative Expenses	0	-\$452,465	0	-\$463,000	0	-\$465,000
<b>Subtotal, Offsetting Collections To</b>	<b>0</b>	<b>-\$7,236,465</b>	<b>0</b>	<b>-\$6,755,000</b>	<b>0</b>	<b>-\$8,707,000</b>
<b>C. Budget Authority Before Committee</b>	<b>951</b>	<b>\$464,067</b>	<b>999</b>	<b>\$476,901</b>	<b>1,017</b>	<b>\$479,013</b>
<b>D. Total Budgetary Resources</b>	<b>951</b>	<b>\$6,604,067</b>	<b>999</b>	<b>\$6,507,901</b>	<b>1,017</b>	<b>\$7,131,013</b>
Unobligated Balance Expiring	0	\$0	0	\$0	0	\$0
<b>E. Total, Estimated Obligations</b>	<b>951</b>	<b>\$6,604,067</b>	<b>999</b>	<b>\$6,507,901</b>	<b>1,017</b>	<b>\$7,131,013</b>

<sup>1</sup> During FY 2010, the assets of the multiemployer trust funds were depleted. Thus, the single-employer trust funds are the only remaining source of trust fund reimbursements to the revolving funds to cover administrative expenses. The single-employer and multiemployer insurance programs are, by law, operated and financed separately. The assets from one program cannot be used to support the other. As a result of the depletion of the multiemployer trust funds, approximately 97% of PBGC's total FY 2011 administrative expenses are reimbursed. This result also reflects the impact of revisions to PBGC's administrative expense allocation methodology adopted in FY 2010. The portion that is not reimbursed represents an outlay in the Federal Budget.

# PENSION BENEFIT GUARANTY CORPORATION

## SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2012 Enacted	FY 2013 Request	Net Change
<b>Obligational Authority</b>			
Program Activities	\$6,031,000	\$6,652,000	+\$621,000
Administrative Activities	\$476,901	\$479,013	+\$2,112
<b>Total</b>	<b>\$6,507,901</b>	<b>\$7,131,013</b>	<b>+\$623,112</b>
<b>Full Time Equivalents</b>			
Program Activities	0	0	0
Administrative Activities	999	1,017	18
<b>Total</b>	<b>999</b>	<b>1,017</b>	<b>18</b>

Explanation of Change	FY 2012 Request Base		Administrative Activities		FY 2013 Change Program Activities		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Increases:</b>								
<b>A. Built-Ins:</b>								
To Provide For:								
Costs of pay adjustments	999	\$112,104	0	\$420	0	\$0	0	\$420
Personnel benefits	0	\$31,003	0	\$116	0	\$0	0	\$116
One day more of pay	0	\$0	0	\$0	0	\$0	0	\$0
Benefits for former personnel	0	\$0	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$1,818	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$1	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$0	0	\$0	0	\$0	0	\$0
All Other Rental	0	\$28,590	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$5,785	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$343	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$72,561	0	\$0	0	\$0	0	\$0
Other services	0	\$213,527	0	\$1,312	0	\$0	0	\$1,312
Other purchases of goods and services from Government accounts	0	\$1,493	0	\$0	0	\$0	0	\$0
Research & Development Contracts	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of facilities	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of equipment	0	\$0	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$2,831	0	\$0	0	\$0	0	\$0
Equipment	0	\$6,845	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$5,920,000	0	\$0	0	\$0	0	\$0
Investment and Loans	0	\$111,000	0	\$0	0	\$0	0	\$0
<b>Built-Ins Subtotal</b>	<b>999</b>	<b>+\$6,507,901</b>	<b>0</b>	<b>+\$1,848</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>+\$1,848</b>

# PENSION BENEFIT GUARANTY CORPORATION

Explanation of Change	FY 2012 Request Base		Administrative Activities		FY 2013 Change Program Activities		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>B. Programs:</b>								
Benefit Payments	0	\$5,920,000	0	\$0	0	\$614,000	0	\$614,000
Financial Assistance	0	\$111,000	0	\$0	0	\$7,000	0	\$7,000
Migrate CFS to Oracle 12	0	\$1,038	0	\$3,560	0	\$0	0	\$3,560
IT Infrastructure Contract	0	\$42,114	0	\$3,500	0	\$0	0	\$3,500
Benefit Calc. Valuation Solution	0	\$2,500	0	\$998	0	\$0	0	\$998
OGC Support Services	0	\$1,090	0	\$740	0	\$0	0	\$740
Additional OIG IT Auditors	0	\$82	2	\$162	0	\$0	2	\$162
IPO Contract Dollars to FTE Conversion	0	\$1,413	13	\$0	0	\$0	13	\$0
BAPD Contractor to FTE Conversions	0	\$238	3	\$0	0	\$0	3	\$0
<b>Programs Subtotal</b>			<b>18</b>	<b>+\$8,960</b>	<b>0</b>	<b>+\$621,000</b>	<b>18</b>	<b>+\$629,960</b>
<b>Total Increase</b>	<b>999</b>	<b>+\$6,507,901</b>	<b>18</b>	<b>+\$10,808</b>	<b>0</b>	<b>+\$621,000</b>	<b>18</b>	<b>+\$631,808</b>
<b>Decreases:</b>								
<b>A. Built-Ins:</b>								
To Provide For:								
<b>Built-Ins Subtotal</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>
<b>B. Programs:</b>								
Back out FY 2012 one year funding for PPS	0	\$0	0	-\$8,696	0	\$0	0	-\$8,696
<b>Programs Subtotal</b>			<b>0</b>	<b>-\$8,696</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$8,696</b>
<b>Total Decrease</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$8,696</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$8,696</b>
<b>Total Change</b>	<b>999</b>	<b>+\$6,507,901</b>	<b>18</b>	<b>+\$2,112</b>	<b>0</b>	<b>+\$621,000</b>	<b>18</b>	<b>+\$623,112</b>



## PENSION BENEFIT GUARANTY CORPORATION

<b>SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY</b>								
(Dollars in Thousands)								
	FY 2011 Enacted		FY 2012 Enacted		FY 2013 Request		Diff. FY13 Req. / FY12 Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Pension Insurance</b>	<b>217</b>	<b>74,506</b>	<b>225</b>	<b>84,219</b>	<b>238</b>	<b>75,943</b>	<b>13</b>	<b>-8,276</b>
Administrative	217	74,506	225	84,219	238	75,943	13	-8,276
<b>Pension Plan Termination and Benefits Administration</b>	<b>339</b>	<b>237,373</b>	<b>350</b>	<b>238,993</b>	<b>353</b>	<b>240,611</b>	<b>3</b>	<b>1,618</b>
Administrative	339	237,373	350	238,993	353	240,611	3	1,618
<b>Operational Support</b>	<b>395</b>	<b>152,188</b>	<b>424</b>	<b>153,689</b>	<b>426</b>	<b>162,459</b>	<b>2</b>	<b>8,770</b>
Administrative	395	152,188	424	153,689	426	162,459	2	8,770
<b>Office of Inspector General - Non-Add</b>	<b>24</b>	<b>5,965</b>	<b>24</b>	<b>5,965</b>	<b>26</b>	<b>6,182</b>	<b>2</b>	<b>217</b>
Administrative	24	5,965	24	5,965	26	6,182	2	217
<b>Single Employer Program Benefit Payments</b>	<b>0</b>	<b>6,009,000</b>	<b>0</b>	<b>5,920,000</b>	<b>0</b>	<b>6,534,000</b>	<b>0</b>	<b>614,000</b>
Program	0	6,009,000	0	5,920,000	0	6,534,000	0	614,000
<b>Multi-Employer Program Financial Assistance</b>	<b>0</b>	<b>131,000</b>	<b>0</b>	<b>111,000</b>	<b>0</b>	<b>118,000</b>	<b>0</b>	<b>7,000</b>
Program	0	131,000	0	111,000	0	118,000	0	7,000
<b>Total</b>	<b>951</b>	<b>6,604,067</b>	<b>999</b>	<b>6,507,901</b>	<b>1,017</b>	<b>7,131,013</b>	<b>18</b>	<b>623,112</b>
<b>Program</b>	<b>0</b>	<b>6,140,000</b>	<b>0</b>	<b>6,031,000</b>	<b>0</b>	<b>6,652,000</b>	<b>0</b>	<b>621,000</b>
<b>Administrative</b>	<b>951</b>	<b>464,067</b>	<b>999</b>	<b>476,901</b>	<b>1,017</b>	<b>479,013</b>	<b>18</b>	<b>2,112</b>

NOTE: FY 2011 reflects actual FTE.

## PENSION BENEFIT GUARANTY CORPORATION

<b>BUDGET AUTHORITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY13 Req./ FY12 Enacted</b>
	Full-Time Equivalent				
	Full-time Permanent	911	969	987	18
	Other	30	30	30	0
	<b>Total</b>	<b>941</b>	<b>999</b>	<b>1,017</b>	<b>18</b>
	Average ES Salary	\$166,158	\$166,158	\$169,481	\$3,323
	Average GM/GS Grade	12	12	12	0
	Average GM/GS Salary	\$95,397	\$95,397	\$97,305	\$1,908
	Average Salary of Ungraded Positions	0	0	0	0
11.1	Full-time permanent	100,047	106,521	111,854	5,333
11.3	Other than full-time permanent	1,719	1,564	1,570	6
11.5	Other personnel compensation	4,019	4,019	3,977	-42
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>105,785</b>	<b>112,104</b>	<b>117,401</b>	<b>5,297</b>
12.1	Civilian personnel benefits	28,997	31,003	32,196	1,193
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	2,019	1,818	1,878	60
22.0	Transportation of things	1	1	1	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	28,215	28,590	28,590	0
23.3	Communications, utilities, and miscellaneous charges	5,807	5,785	5,729	-56
24.0	Printing and reproduction	313	343	343	0
25.1	Advisory and assistance services	72,561	72,561	72,561	0
25.2	Other services from non-Federal sources	207,684	213,527	208,173	-5,354
25.3	Other goods and services from Federal sources 1/	1,493	1,493	1,493	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	2,851	2,831	2,787	-44
31.0	Equipment	8,341	6,845	7,861	1,016
33.0	Investments and Loans	131,000	111,000	118,000	7,000
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	6,009,000	5,920,000	6,534,000	614,000
	<b>Total</b>	<b>6,604,067</b>	<b>6,507,901</b>	<b>7,131,013</b>	<b>623,112</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	1,493	1,493	1,493	0

# PENSION BENEFIT GUARANTY CORPORATION

## AUTHORIZING STATUTES

<b>Public Law / Act</b>	<b>Legislation</b>	<b>Statute No. / US Code</b>	<b>Volume No. / Page No.</b>	<b>Expiration Date</b>
P.L. 93-406	Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) (1976)	29 U.S.C.	1301, et seq.	Not Applicable
P.L. 96-364	Multiemployer Pension Plan Amendments Act of 1980 (September 26, 1980)	94 Stat.	1208	Not Applicable
P.L. 99-272	Single Employer Pension Plan Amendments Act of 1986 (SEPPA) (April 7, 1986)	100 Stat.	82	Not Applicable
P.L. 100-203	Pension Protection Act (PPA) (December 22, 1987)	101 Stat.	1330	Not Applicable
P.L. 103-465	Retirement Protection Act (December 24, 1994)	108 Stat.	4890	Not Applicable
P.L. 109-280	Pension Protection Act of 2006 (August 17, 2006)	120 Stat.	780	Not Applicable
P.L. 109-171	Deficit Reduction Act (DRA) of 2005 (February 8, 2006)	120 Stat.	182	Not Applicable
P.L. 95-452	Inspector General Act (October 12, 1978)	5 U.S.C.	1101	Not Applicable
P.L. 100-504	Inspector General Act Amendments of 1988 (October 18, 1988)	102 Stat.	2515	Not Applicable
P.L. 110-409	Inspector General Reform Act (October 14, 2008)	122 Stat.	4302	Not Applicable

## PENSION BENEFIT GUARANTY CORPORATION

<b>APPROPRIATION HISTORY</b>					
(Dollars in Thousands)					
	<b>Budget Estimates to Congress</b>	<b>House Allowance</b>	<b>Senate Allowance</b>	<b>Appropriations</b>	<b>FTE</b>
2003...1/	\$192,894	\$192,894	\$192,894	\$270,504	752
2004...2/	228,772	228,772	228,772	293,914	806
2005...3/	266,330	266,330	266,330	350,556	851
2006...4/	296,978	296,978	296,978	385,647	870
2007...5/	397,645	397,645	397,645	405,391	870
2008	411,151	411,151	411,151	411,151	870
2009...6/	444,722	444,722	444,722	444,722	928
2010	464,067	464,067	464,067	464,067	941
2011...7/	466,301	0	0	464,067	941
2012	476,901	476,901	476,901	476,901	999
2013	479,013	0	0	0	1,017

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

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

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

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

5/ FY 2007 reflects reapportionments for a total of \$7,745,000 due to unexpected increased workload.

6/ FY 2009 was only reported out of Subcommittee and was not passed by the Full House.

7/ FY 2011 Funding at the FY 2010 level was approved in Department of Defense and Full-Year Continuing Appropriations Act.

# PENSION BENEFIT GUARANTY CORPORATION

## Overview

The Pension Benefit Guaranty Corporation (PBGC) is a wholly-owned government entity established under the Employee Retirement Income Security Act of 1974 as amended. The Corporation's mission is to guarantee the pension benefits of workers who face the loss of retirement income if plan sponsors terminate their plans or take actions that endanger the continuation of those pensions.

The Corporation is administered by a presidentially appointed, Senate-confirmed, Director who, subject to the policies established by the Board of Directors, is responsible for the agency's management, personnel, organization, budget and investments. PBGC's Board of Directors consists of the Secretaries of Labor (Chair), Commerce, and the Treasury.

The PBGC is requesting \$479,013,000 in spending authority for administrative purposes in Fiscal Year 2013.

## **Operations in Brief**

The PBGC protects some 44,000,000 workers and retirees in private defined benefit pension plans. We do so by encouraging companies to keep their plans, and by paying benefits when they cannot. Broadly speaking, we have three overarching goals:

- Preserve plans and protect pensioners,
- Pay pension benefits on time and accurately, and
- Do so in ways that maintain high standards of stewardship and accountability.

We measure our performance by how we do our work and how we serve our customers:

- People who participate in and depend on pension plans,
- People who administer plans, and
- The Congress, other policymakers, and the public.

We closely monitor our operational results: how quickly and seamlessly we are able to start paying retirees new to the PBGC system, how accurately we calculate their benefits, how well we invest assets, and so on. We measure customer satisfaction directly, by surveying our customers to find out how well people think we serve them and to get suggestions for improving our services in the future.

We administer two insurance programs. Our single-employer program protects nearly 34,000,000 workers and retirees in about 25,000 pension plans. Our multiemployer program protects about 10,000,000 workers and retirees in about 1,500 pension plans.

In FY 2011, PBGC:

- paid nearly \$5,500,000,000 for approximately 873,000 retirees in more than 4,300 failed plans (an additional 628,000 workers will receive benefits when they retire),

## PENSION BENEFIT GUARANTY CORPORATION

- became responsible for more than 57,000 people in failed plans,
- started paying benefits to an additional 15,000 retirees, on time and without missing a single payment,
- helped protect another 74,000 people by encouraging companies in bankruptcy not to terminate their plans,
- negotiated \$195,000,000 in increased protection for over 200,000 plan participants at risk from corporate transactions, and
- secured \$370,000,000 on behalf of people whose companies down-sized.

### Performance

We have built a strong culture of serving the people who count on us. We maintain a rigorous and continuous cycle of soliciting customer feedback, conducting analysis of operational strengths and gaps, and persistently following through on customer concerns. Our outstanding customer satisfaction scores attest to the success of our efforts.

Workers and retirees who call our participant toll-free number remain very satisfied with our efforts to provide timely, accurate, and responsive services. Our American Customer Satisfaction Index (ACSI) participant caller satisfaction score increased to 86, seven points higher than last year's score of 79 and 21 points higher than the 2010 government aggregate score. Our Customer Contact Center answers about 2,300 calls on an average day, and typically handles customer inquiries within seven minutes.

Our primary online application for workers and retirees is called My Pension Benefit Account (MyPBA). MyPBA allows customers to access certain forms and information, and to perform routine transactions. During FY 2011, MyPBA users executed about 229,000 MyPBA transactions, and nearly 36,000 people established new accounts. People enjoy the convenience of handling certain transactions online, and they are satisfied with how MyPBA serves their needs. The ACSI rating for MyPBA was 83, exceeding the ACSI "threshold of excellence" of 80.

The following table provides FY 2011 performance measure results by goals. We have four corporate-level performance measures, which collectively demonstrate how well we have met our commitments to preserve plans and protect pensioners, pay pension benefits on time and accurately to retirees and beneficiaries, and maintain high standards of stewardship and accountability.

<b>FY 2011 Performance Measures</b>	<b>Target</b>	<b>Result</b>	<b>Baseline</b>
<b>Preserve Plans and Protect Pensioners</b>			
<b>ACSI for premium filers</b>	72	75	2006: 68
<b>Pay Timely and Accurate Benefits</b>			
<b>ACSI for workers and retirees who call PBGC</b>	81	86	2004: 84

## PENSION BENEFIT GUARANTY CORPORATION

<b>FY 2011 Performance Measures</b>	<b>Target</b>	<b>Result</b>	<b>Baseline</b>
<b>ACSI for retirees receiving benefits from PBGC</b>	85	90	2001: 73
<b>Ensure Superior Stewardship and Accountability</b>			
<b>Audit opinion on PBGC's financial statements</b>	<b>Unqualified</b>	<b>Unqualified</b>	<b>1993: Unqualified</b>
<i>The American Customer Satisfaction Index (ACSI) uses a 0-100 scale.</i>			

### Preserving Plans and Protecting Pensioners

In our single-employer insurance program, we work with insured companies to prevent their plans from failing, and to protect people covered by the pension plans that we insure. Despite the relative improvement in the overall economy in FY 2011, PBGC efforts to preserve plans remained strong.

Reportable events filings (such as when a company misses a required contribution) remained close to FY 2009 and FY 2010 levels. Plan terminations also proceeded at a similar pace to last year, as we continued to assume underfunded plans of companies that faced financial distress due to the downturn. Bankruptcies were down from the highs of FY 2009 and FY 2010, while transaction activity increased as the capital markets opened up, allowing companies to fund acquisitions and seek opportunistic sales. Although new shutdown and layoff cases declined in FY 2011, settlements rose as we reached agreements in earlier cases.

**Early Warning:** In FY 2011, we monitored nearly 1,000 companies to identify transactions that could pose significant risks to underfunded plans and to arrange for sponsors to protect those plans. In cases where a transaction could weaken a pension plan, we engaged the plan sponsor to negotiate an agreement to strengthen the plan. Due to a significant increase in market activity, we reviewed 78 early warning transactions in FY 2011. Our efforts resulted in \$195,000,000 in increased protection for over 200,000 plan participants.

**Underfunded Plan Terminations:** An underfunded plan may terminate either through a distress termination or a termination initiated by PBGC. In a distress termination, the sponsor and its corporate affiliates initiate the action, but must demonstrate that the company cannot afford to keep its plan. When PBGC initiates the termination of a plan, it is to protect participants' benefits or the pension insurance program, if the plan meets certain criteria. In FY 2011, 152 underfunded plans terminated, about the same number as in FY 2010.

**Standard Terminations:** A standard termination occurs when a sponsor seeks to terminate its plan and the plan has enough money to cover all benefits that are due to its participants. We review all standard termination filings to ensure compliance with the law and audit a statistically significant number of these terminations to determine whether participants and beneficiaries

## PENSION BENEFIT GUARANTY CORPORATION

have received their full plan benefits. We also take in the benefits of un-locatable participants in standard terminations and list those missing participants on our website as we work to find them.

During FY 2011, we received 1,425 standard termination filings for review, compared with 1,441 in FY 2010 and 1,200 in FY 2009. We also completed 264 compliance audits, and took enforcement action in 69 of these cases. The number of cases requiring enforcement action increased by 44 percent in FY 2011. Additional payments from enforcement actions vary from year to year. In FY 2011, these enforcement actions resulted in additional payments of more than \$2,000,000 to over 900 workers and retirees.

***Bankruptcy Activities:*** PBGC takes an active role in bankruptcies to prevent unnecessary plan terminations, and to pursue claims on behalf of the plan participants and the pension insurance program. Specifically, we:

- evaluate asset sales and other transactions that may affect a sponsor's ability to maintain its plan;
- enforce liens on non-bankrupt affiliates of a sponsor that fails to make statutorily required pension contributions;
- litigate the appropriateness of plan terminations;
- resolve objections to our claims; and
- in some cases, serve on unsecured creditors committees.

In FY 2011, we opened 56 new bankruptcy cases. PBGC fights hard to preserve pension plans in bankruptcy and had many successes in FY 2011. We worked with 19 companies in bankruptcy to continue their pension plans after the sponsor reorganized, or after a new owner assumed operations. Their pension plans cover about 74,000 people, who will receive their full promised benefits. This also kept more than \$2,000,000,000 in unfunded pension liabilities off PBGC's books.

***Responding to Major Shutdowns and Layoffs:*** Under Section 4062(e) of ERISA, a company has additional liabilities and must report to us when it ceases operations at a facility and more than 20 percent of a pension plan's active participants are separated from employment. In these circumstances, we can negotiate agreements that protect the plans via additional cash contributions or other means. During FY 2011, we opened 68 new 4062(e) cases and reached settlements with 40 companies for more than \$370,000,000.

### **Paying Timely and Accurate Benefits**

Although the optimal outcome is for companies to keep responsibility for their pension plans, some plans fail. When they do, PBGC is there.

In FY 2011, PBGC became responsible for an additional 55,000 workers and retirees in 129 terminated single-employer plans. By law, we must determine the individual benefits owed to each participant, which requires a unique calculation for each participant. Despite this complexity and the significant variation in termination activity from year to year, we remain



## **PENSION BENEFIT GUARANTY CORPORATION**

committed to delivering accurate and timely payments and benefit determinations, and remaining responsive to participants' needs.

### **Continuing Benefits When Plans Fail**

When a company can no longer keep its pension promises, our first priority is to ensure that people keep getting their benefit payments without interruption. In FY 2011, we stepped in to pay nearly 15,000 retirees already receiving monthly checks. All continued to receive their benefits without interruption when we assumed the plans. When a person's final benefit amount is not yet calculated and payment is due, we pay estimated benefits in the interim. For benefits we finalized in FY 2011, 92 percent of estimated payments were within 10 percent of the final benefit amount.

### **Paying Benefits on Time**

PBGC paid nearly \$5,300,000,000 in benefits in FY 2011 to more than 819,000 retirees. Each and every month, we process and pay these benefits on time. On average, we process about 3,000 benefit applications per month for new retirees, with the number varying based on participants and beneficiaries becoming eligible for retirement. Participants who have reached retirement age will often apply for their benefits at the time we assume responsibility for their plan.

During FY 2011, we continued to process nearly 85 percent of retiree applications within 45 days. The 45 days allow us to review applicant documentation, follow up to obtain missing information, and position the retiree to receive payment in the following pay cycle. We monitor this activity to ensure timely benefit payments and continue to promote use of electronic direct deposit (EDD) for faster and more secure payments. Currently, 79 percent of payments are by EDD.

Retirees receiving benefits from PBGC continue to say that they are very satisfied with our services. Our FY 2011 ACSI score of 90 from retirees is the all-time high score for this measure, or any PBGC satisfaction measure, capping a decade-long trend of scores in the high 80s. The survey results demonstrate continued excellence in providing clear communications, on-time payments, and that retirees remain confident about our ability to serve them.

### **Paying Accurate Benefits**

We calculate benefits using a process spelled out in federal law. Actuaries calculate each participant's benefit according to the pension plan's provisions; then they must apply statutory and regulatory rules to determine how much we can pay. We send each participant a letter presenting the benefit amount and explaining how it was calculated. Retirees already receiving estimated pay may see adjustments to their benefits when they are final.

During FY 2011, we issued 71,000 benefit determinations at an average completion time of 2.9 years, dropping to its lowest point in four years. We are moving retirees from estimated to final pay faster and reducing the amount of time it takes us to notify participants of the benefit they will receive from us. During FY 2011 we continued to work through two of our oldest and most

## **PENSION BENEFIT GUARANTY CORPORATION**

complex plans—Bethlehem Steel and United Airlines. We remain committed to bringing the average time to issue benefit determinations down. The average age of the benefit determinations yet to be issued is 1.7 years, representing nearly 288,000 people waiting for their benefit determinations. The increase of six months from 2010 is primarily due to the large plans trusted during the prior year as a result of the recession.

### **Multiemployer Financial Assistance Payments**

Under current law, we cannot step in to financially assist multiemployer plans until they are insolvent (i.e., have used up all their cash). Insolvency usually occurs after all contributing employers have withdrawn from the plan, leaving the plan without a source of income.

Our payments to insolvent multiemployer plans cover guaranteed benefits and reasonable administrative expenses. In FY 2011, we paid \$115,000,000 in financial assistance to 49 multiemployer pension plans covering the benefits of nearly 54,000 retirees, up from the \$97,000,000 we paid to 50 plans in FY 2010. An additional 28,000 people in these plans will receive benefits when they retire. We expect the number of insolvent multiemployer plans to more than double over the next five years.

We also work to facilitate plan combinations or close outs where that makes sense. In FY 2011, we helped five small insolvent multiemployer plans close out through the purchase of annuities and payment of lump sums for participants' guaranteed benefits. Closing out small insolvent plans reduces future administrative costs and helps us manage the growth in our financial assistance workload.

### **Ensuring Stewardship and Accountability**

As a financial institution with responsibility for over 40,000,000 people and obligations of over \$100,000,000,000, it is essential that we do our work both professionally and accountably. Throughout FY 2011, we were a careful steward of the Corporation's resources and investments. In addition to collecting premiums and attaining our 19th consecutive unqualified audit opinion on financial statements, we maintained our focus on improving management in a number of areas as outlined below.

#### **Collecting Premiums**

PBGC collects premiums to insure defined benefit pension plans in the single-employer and multiemployer programs. In FY 2011, we collected \$2,400,000,000.

Pension plan administrators file premiums with PBGC online using My Plan Administration Account (My PAA), submitting over 36,000 electronic filings in FY 2011. Like the callers to our participant call center and retirees who count on us, premium filers also expressed satisfaction with our services in FY 2011.

## **PENSION BENEFIT GUARANTY CORPORATION**

Our survey results for premium filers rose by an unprecedented four points, to an all-time high score of 75. Users of My PAA rated their satisfaction with the system at 79, approaching the ACSI —threshold of excellence at 80.

FY 2011's higher premium filer satisfaction score is attributable to several factors: We improved call-handling procedures by assigning one representative to a given group of plans for greater convenience and familiarity; and continued to offer expanded call center hours during peak filing periods to help filers meet their premium filing obligations on time. We have also listened to our premium payers and pension professionals. In response to their comments, we are providing relief from certain premium penalties and in certain situations involving alternative premium funding target elections. For plan years beginning after 2010, we will automatically waive premium penalties that are assessed solely because premium payments are late by not more than seven calendar days; and relief is available for certain election-related filing inconsistencies. We also enhanced system validations in My PAA to improve the accuracy of online transactions, and continued to increase system speed for faster transaction processing.

### **Reforming the Insurance Program to Help the PBGC Protect Pensions**

While PBGC can continue paying benefits for many years to come, at present the programs do not have the resources to fully satisfy PBGC's obligations in the long run. As of September 30, 2011, the PBGC's liabilities exceeded its assets by \$26 billion. The PBGC receives no taxpayer funds and its premiums are much lower than what a private financial institution would charge. Furthermore PBGC is unable to adjust the premiums to reflect a company's financial situation or the risks to its pensions: the current premium structure both encourages irresponsible behavior and forces responsible companies to pay for those that are not. The Budget, similar to our FY 2012 request, proposes to give the PBGC Board authority to adjust premiums and directs PBGC to take into account the risks that different sponsors pose to their retirees and to PBGC. Historically, Congress has responded to PBGC deficits by authorizing premium increases as part of broader substantive PBGC reform legislation. As an alternative, the Administration is proposing in the FY 2013 Budget to give the PBGC Board authority to adjust premiums gradually over time starting FY 2014. Premiums would take into account the risks that different sponsors pose to their retirees and to PBGC. This will both encourage companies to fully fund their pension benefits and ensure the continued financial soundness of PBGC. In order to ensure that these reforms are undertaken responsibly during challenging economic times, the Budget would include a year for study and public comment period that would help inform implementation and requires a gradual phasing in of any increases.

This proposal will help ensure that the PBGC can continue to play its part in protecting pensions without requiring any taxpayer funds. The proposal is estimated to save \$16,000,000,000 over the next decade while strengthening the defined benefit pension system for the millions of America's retirees who rely on it.

# **PENSION BENEFIT GUARANTY CORPORATION**

## **Investment Management**

PBGC's investment program manages the Corporation's assets using private-sector investment management firms subject to our oversight and acting in accordance with our newly adopted investment policy.

As of September 30, 2011, PBGC had an investment performance portfolio of nearly \$70,000,000,000. Funds are derived from a combination of premiums, assets of trustee plans, and payments from plan sponsors as settlements in bankruptcy. In FY 2011, the total return on PBGC's investment performance portfolio was 5.1 percent, excluding transition accounts. Roughly half of PBGC investment managers outperformed their respective portfolio benchmarks and the portfolio as a whole performed to the benchmark level.

## **Strengthening E-Government and Information Technology**

Our information technology (IT) infrastructure remains sufficient to pay benefits and perform our other operations. We are now taking steps to meet federal security and control standards. In FY 2011, we completed a formal security assessment and authorization of our general support systems, but much work remains to remediate all weaknesses identified. We are making progress on our five-year plan to improve our Web presence, consolidate operational systems for manageability and scalability, and put the necessary IT security controls in place. We plan to demonstrate significant improvement on a number of security and control weaknesses in FY 2012.

We made a significant effort in the first half of the year to develop and deploy an upgraded PBGC website, which made its debut in January 2011. Customer satisfaction with the previous website had begun falling, prompting the redesign effort. Despite that effort, customer satisfaction dropped 2 points to 69 from last year's score of 71. After the initial period, customer satisfaction scores steadily improved over the final few months of the year.

## **Reforming Federal Contracting and Acquisition**

We have built a strong culture of serving the people who rely on us. We can meet their needs because we contract for services to support our operations. Throughout FY 2011, we continued to make improvements to the way we acquire goods and services and administer contracts. In FY 2011, 87 percent of acquisitions were full competitions and 40 percent were performance-based contracts, an increase of 54 percent over the prior year.

Also in FY 2011, we updated existing policies and procedures, improved customer communications, completed integration of the contract-writing system with the core financial system which strengthened internal controls, increased emphasis on training for those handling acquisition matters—contracting officers, contracting officer's representatives (CORs), and program managers—and established new internal controls focused on the activities of CORs and purchase cardholders.

# PENSION BENEFIT GUARANTY CORPORATION

## **Furthering Collaboration and Transparency**

During FY 2011, we increased efforts to be more collaborative and transparent with customers and the public. Our open government web page, established in FY 2010, is kept current with data considered of value to the public.

We shared our single-employer Pension Insurance Modeling System (PIMS) with the Society of Actuaries (SOA), the nation's largest actuarial research organization. SOA recently produced its first report using PIMS for research and analysis. We developed PIMS to project our future financial condition and better understand our exposure risk.

We helped organize and participated in an interagency Benefits Processing Working Group. Working with other benefit paying agencies, we have found ways to share data sources that will reduce improper payments and explored opportunities to streamline processes and improve operational efficiencies for like activities.

Each year, we post our Freedom of Information Act (FOIA) reports to our website. Since the late 90s, we have maintained an automated system to process and track FOIA requests. In FY 2011, our electronic system assisted us with processing and tracking over 7,200 requests, and we again ended the year with no backlog. The overwhelming majority of requests submitted are from participants in pension plans trusted by PBGC.

During FY 2011, we expanded our sharing of plan information with the other ERISA agencies—the Department of the Treasury's Internal Revenue Service and the Department of Labor. This information sharing facilitates the agencies' enforcement efforts and multiemployer plan compliance assistance.

Each year, we also publish the Pension Insurance Data Book. The most recent annual compendium of information on defined benefit plans and participants can be found there. This publication is available on the PBGC's website.

## **Promoting Green Practices**

PBGC's strategic sustainability plan, developed in FY 2010, outlined actions we would take in FY 2011 to implement certain programs identified in the Federal Leadership in Environmental, Energy, and Economic Performance executive order. During FY 2011, our headquarters building obtained its first Leadership in Energy and Environmental Design (LEED) Gold certification, demonstrating exemplary energy savings and reduced carbon footprint—two of the goals of the executive order.

## **Transforming the Federal Workforce**

*Federal Employee Viewpoint Survey (FedView)*: Since 2006, we have used the FedView results to gather employees' perceptions of workforce management. In FY 2011, we scored well above the government-wide average by each measure and ranked in the top 5 agencies for two of the Human Capital Assessment and Accountability Framework (HCAAF) indices -- results-oriented

## PENSION BENEFIT GUARANTY CORPORATION

performance culture and talent management indices. The HCAAF framework consists of four indices--leadership and knowledge management, results-oriented performance culture, talent management, and job satisfaction. Our lowest rank on any was 12th among 83 agencies. The FY 2011 results showed improvement in the areas of communication between employee and supervisor/team lead, and areas of accountability and individual performance. We will continue using the FedView results to monitor the work environment and support effective human capital practices for our employees.

***Hiring Reform:*** We fully implemented the four major milestones of the hiring reform initiative—mapped our end-to-end hiring process, developed streamlined job opportunity announcements, notified applicants at four points in the application process, and further engaged managers in the hiring process. We continued to meet requirements for delegated hiring authority, received a positive OPM evaluation with no deficiencies, and OPM recertified our senior leader performance management program.

***Enhancing Employee Training:*** We made enhancements to our training facility, expanding the footage available for classroom use. We strengthened our employee development and in FY 2011, employees attended over 150 courses focused on improving contract management skills, use of IT systems applications, and technical and supervisory skills.

***Workforce Recruitment Program:*** We launched a Workforce Recruitment Program to better connect with college students and recent graduates with disabilities. We also continued to encourage a healthy and balanced work life through various health and wellness workshops.

***Enhancing Telework:*** Flexible work options are a part of PBGC's culture. We implemented a new law, passed in December 2010 expanding telework opportunities for federal employees. We updated our telework policies to align with the new law. Approximately 18 percent of employees participate in the telework program regularly, and another 19 percent take advantage of unscheduled use to continue normal work activities during, for example, snowstorms and tropical storms.

Other efforts in FY 2011 to strengthen the workforce included establishing a certified labor-management forum and piloting a new talent management system to improve operational efficiency.

### **Program Evaluation**

PBGC conducts evaluations to identify opportunities to improve program and support operations. In FY 2011, this included reviews of regulations promulgated by PBGC, in addition to the annual evaluation of services provided to our customers. We also value and actively engage with the Government Accountability Office (GAO), the Office of Inspector General (OIG), and the Office of Government Ethics (OGE) to ensure PBGC programs are operating effectively, efficiently and with integrity. Their support continues to help strengthen our program operations.

# PENSION BENEFIT GUARANTY CORPORATION

## Cost Model

The FY 2013 administrative operating budget of \$479,013,000 and 1017 FTE is comprised of three activities:

- Pension Insurance (\$75,943,000) includes such functions as the collection and investment of premiums; monitoring, negotiating and litigating protections for participants in endangered plans; prosecuting claims recoveries in terminated plans; and assisting plan practitioners in their dealings with the Corporation.
- Pension Plan Termination and Benefits Administration (\$240,611,000) includes the work necessary to fulfill PBGC's responsibilities toward the participants in trustee plans, including determining and paying the benefits and providing related services (\$169,135,000); and trust fund investment management activities (\$71,476,000).
- Operational Support (\$162,459,000) includes the vast range of activities necessary to keep the Corporation working, including facilities, information technology, and other administrative services such as accounting, budget, strategic planning and human resources management.

### *PBGC's Agency Request assumes:*

A reduction of \$8,696,000 to reflect the one-time funding request in FY 2012 for development of a new premium accounting system.

An increase of \$1,848,000 to reflect the allowance from OMB for employee pay, benefits and other inflation adjusted items.

An increase of \$3,560,000 to transition the Consolidated Financial Systems (CFS) to Oracle-12;

An increase of \$3,500,000 for transition costs associated with the re-compete of PBGC IT infrastructure support contract;

An increase of \$997,834 for the continued development of a Benefit Calculation and Valuation System;

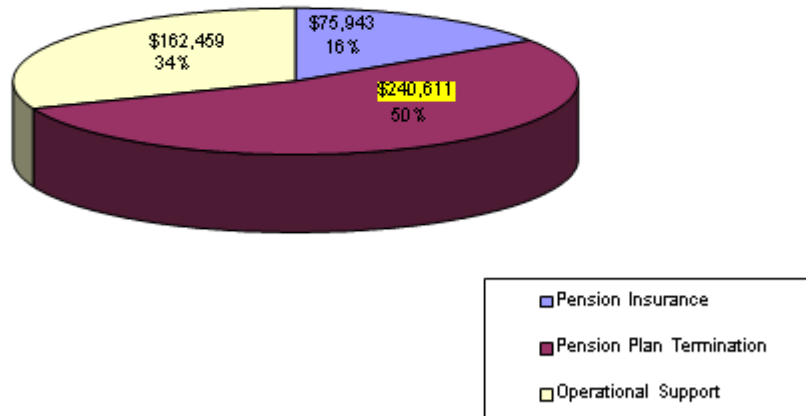
A one-time increase of \$740,167 for contractual efforts to support Disclosure Division's work on Freedom of Information Act (FOIA) compliance at PBGC;

An increase of \$162,000 to support two Information Technology auditors in the Office of the Inspector General; and

Adjustments between object classes and activities to fund additional FTE to support the insurance program and benefit payment areas as well as meet projected payroll costs.

# PENSION BENEFIT GUARANTY CORPORATION

**FY 2013 PBGC Budget by Activity**  
**Total = \$479,013**  
**(Dollars in thousands)**



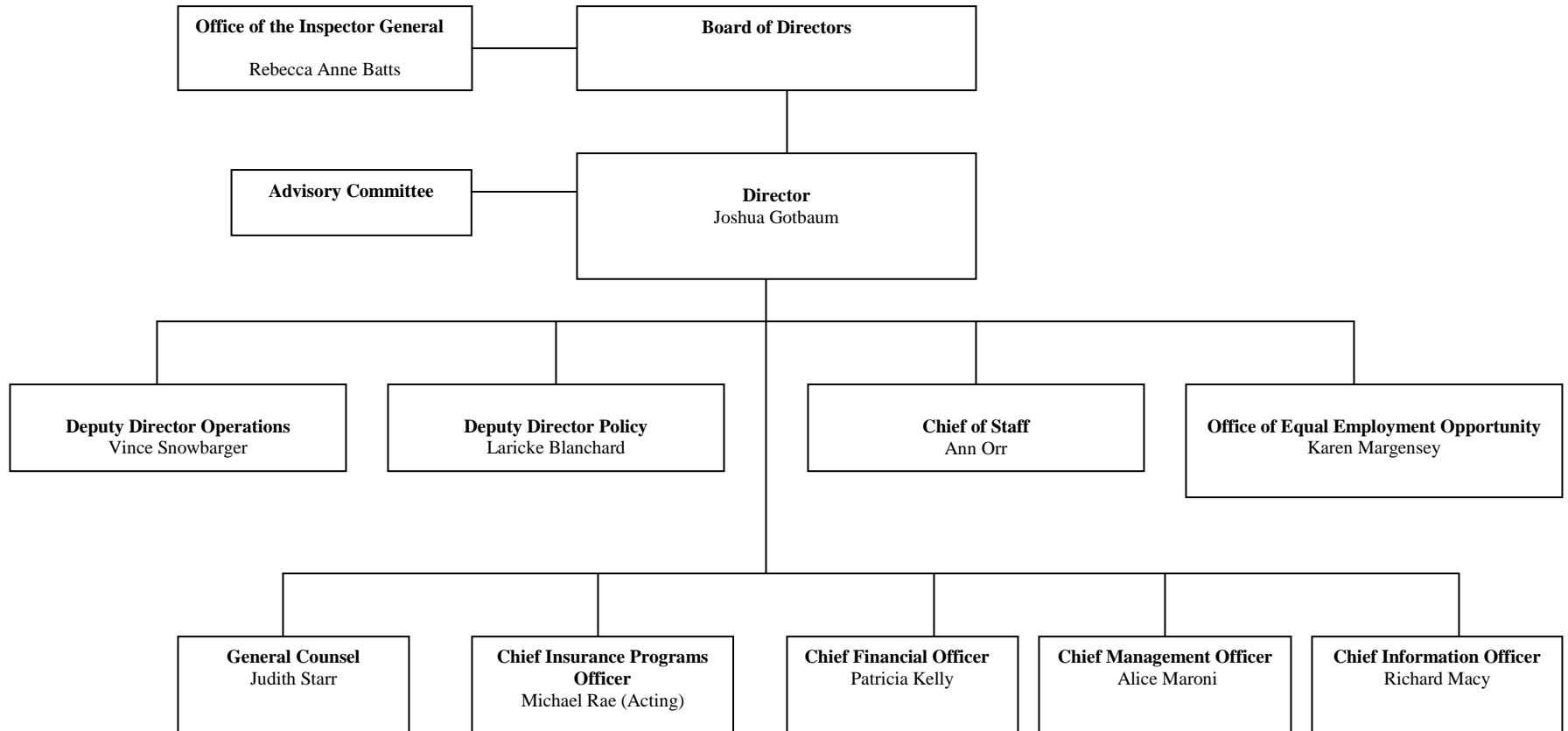
Pension Insurance	238 FTE	\$75,943
Pension Plan Termination*	353 FTE	\$240,611
Operational Support	426 FTE	\$162,459

Total 1,017 FTE \$479,013

\*Includes Investment Management Activities of \$71,476



# PENSION BENEFIT GUARANTY CORPORATION





## PENSION INSURANCE

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY 13 Req. / FY 12 Enacted</b>
Budget Authority	74,506	84,219	75,943	-8,276
FTE	217	225	238	13

NOTE: FY 2011 reflects actual FTE. Authorized FTE for FY 2011 was 215.

### **Introduction**

The Pension Insurance Activity is comprised of work directly associated with pension insurance for ongoing plans. The functions of this activity include risk assessment and management, loss prevention, technical assistance to existing plans, policy research and development related to determining the correct premium levels and possible default risks as well as the collection of premiums collected from insured plans. This activity includes resources needed to identify, monitor, and mitigate significant risks to the PBGC, through negotiation and litigation.

### **Five-Year Budget Activity History**

<b><u>Fiscal Year</u></b>	<b><u>Funding</u></b> (Dollars in Thousands)	<b><u>FTE</u></b>
2008	\$68,285	211
2009	\$70,590	216
2010	\$86,412	216
2011	\$74,506	215
2012	\$84,219	225

### **FY 2013**

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

The Corporation will continue to monitor economic data, market performance indicators and industry developments to identify emerging risks to the pension system and to provide timely information for analysis of potential plan liabilities. The large terminations over the last several years underscore the need to better forecast problems in the universe of insured plans, as well as to come up with meaningful risk mitigation responses wherever possible in advance of plan termination. In the long run, the best service PBGC can provide to participants and the defined benefit pension system is to reduce the risks posed by underfunding and plan termination, thereby assuring the retirement security of workers and retirees in ongoing plans.

## **PENSION INSURANCE**

The Financial Operations Department will implement a new Premium and Practitioner System to replace the legacy Premium Accounting System by the end of FY 2013.

The Pension Insurance Modeling System (PIMS) will be converted to a fully supportable Data Base Management System.

The Insurance Program area will increase its federal workforce by 13 additional FTE by redirecting resources internally to meet workload demands and knowledge retention.

### **FY 2012**

PBGC expects that the effects of the economic downturn on plan funding levels and weakness in certain economic sectors will continue to affect both the single and multiemployer insurance programs. The bankruptcy proceedings regarding American Airlines will be monitored with particular interest and PBGC has obtained a seat on the committee representing unsecured creditors. If the bankruptcy court decides to allow American Airlines to terminate one or more of its pension plan, the resulting workload will require additional actuarial services, financial analysis, and legal services needed to preserve plans and protect protection pensioners.

Ongoing implementation of the Pension Protection Act of 2006 (PPA) requires the PBGC to continue developing and implementing regulations, policies, and guidance. The Corporation is also committed to working in collaboration with the other ERISA agencies and financial regulators with a view to strengthening enforcement of funding obligations, improving regulatory oversight, and enhancing disclosure of timely and relevant information relating to pension plans and plan sponsors.

The Financial Operations Department will begin development of a new Premium and Practitioner System to replace the legacy Premium Accounting System.

### **FY 2011**

In FY 2011, PBGC continued to observe plan sponsors cutting back on costs and/or restructuring their debt in order to remain in business, including taking steps to reduce or eliminate pension costs. Additionally, higher numbers of plan sponsors found themselves unable to make required pension contributions. PBGC responded by increasing its interaction with plan sponsors to improve its identification of plans in distress and increase termination activity where necessary. When plan termination was the only appropriate option, PBGC stepped in to process the termination and to maximize its recovery of termination liabilities.

In 2011, PBGC continued to develop regulations, policies and guidance to implement the Pension Protection Act of 2006 (PPA) provisions that strengthen the pension insurance program. Regulations completed provide guidance on disclosure of plan termination information to participants, reporting of plan financial status, and withdrawal liability for multiemployer plans.

## PENSION INSURANCE

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2011 Enacted</b>		<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>Pension Insurance</b>				
<b>Performance Measure</b>				
Unfunded Plan Termination Recommendations	140 (e)	152	140 (e)	120 (e)
Financial Assistance Transactions/Requests Processed for Insolvent Multiemployer Plans	216 (e)	207	244 (e)	250 (e)
Customer Satisfaction Score for Premium Filers	72	75	72 (e)	72 (e)
<b>Workload A: (Units)</b>				
New Bankruptcy Filings by Sponsors (or corporate affiliates) of PBGC-covered Plans	60 (e)	56	60 (e)	45 (e)
Risk/Loss Mitigation Cases Opened (non-bankruptcy)	500 (e)	437	500 (e)	500 (e)
Standard Termination Filings Received for PBGC Review (fully funded plans)	1,400 (e)	1,425	1,450 (e)	1,500 (e)
Standard Termination Audits Completed (audits or benefit distributions made to plan participants)	250 (e)	264	250 (e)	300 (e)
Reportable Events	1,200	1,174	1,200 (e)	1,200 (e)
Litigations	55	45	45 (e)	45 (e)
<b>Workload B: (Dollars, in thousands)</b>				
Premiums Collected	\$2,547,000.00	\$2,359,000.00	\$2,221,000.00 (e)	\$3,528,000.00 (e)
Revolving Fund Investment Portfolio	\$18,092,000.00	\$18,838,000.00	\$19,245,000.00	\$20,820,000.00 (e)

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined

### Workload Summary

The general trends and challenges facing the Pension Insurance area of the Corporation are those that face the Corporation as a whole – weakness in certain economic sectors and a continuing high level of pension underfunding. The need for financial and actuarial analysis, coupled with a skilled combination of litigation and negotiation activities, remains critical to the Corporation’s success in preserving America’s defined benefit pension plans. The continuing high levels of activity in the pension insurance area reflect the conditions in industries with a high concentration of large multiemployer plans (e.g., transportation and construction) and single employer plans (e.g., autos, manufacturing, transportation, newspapers, healthcare, and retail.)

## **PENSION INSURANCE**

To manage its risk and take timely action, PBGC will continue to:

- Analyze credit, investment, and actuarial risks to the pension insurance programs and build and improve risk models to quantify and measure the impact of these risks to the insurance programs.
- Enhance the automation of collection and integration of external and internal information to analyze the financial condition of pension plans and plan sponsors.
- Coordinate with Treasury and DOL in responding to risks that reach across organizational boundaries.
- Initiate vigorous bankruptcy interventions, negotiations and litigation efforts.
- Explore, develop, and implement incentives/settlements to prevent plan sponsor initiated terminations and maximize recoveries.
- Promulgate regulations that are understandable, flexible, relevant, and not unduly burdensome.

## PENSION INSURANCE

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY13 Req./ FY12 Enacted</b>
11.1	Full-time permanent	22,772	24,476	26,533	2,057
11.3	Other than full-time permanent	609	454	456	2
11.5	Other personnel compensation	1,167	1,167	1,171	4
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>24,548</b>	<b>26,097</b>	<b>28,160</b>	<b>2,063</b>
12.1	Civilian personnel benefits	6,306	7,065	7,441	376
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	409	417	460	43
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	15	15	15	0
24.0	Printing and reproduction	30	30	30	0
25.1	Advisory and assistance services	1,085	1,085	1,085	0
25.2	Other services from non-Federal sources	41,367	48,766	37,969	-10,797
25.3	Other goods and services from Federal sources 1/	577	577	577	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	132	131	154	23
31.0	Equipment	37	36	52	16
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>74,506</b>	<b>84,219</b>	<b>75,943</b>	<b>-8,276</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	577	577	577	0

# PENSION INSURANCE

## CHANGES IN FY 2013

(Dollars in Thousands)

**Activity Changes**

**Built-In**

To Provide For:

Costs of pay adjustments	\$98
Personnel benefits	26
One day more of pay	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
All Other Rental	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services	296
Other purchases of goods and services from Government accounts	0
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	0
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0

**Built-Ins Subtotal** **\$420**

**Net Program** **-\$8,696**

**Direct FTE** **13**

	Estimate	FTE
<b>Base</b>	<b>\$84,639</b>	<b>225</b>
<b>Program Increase</b>	<b>\$0</b>	<b>13</b>
<b>Program Decrease</b>	<b>-\$8,696</b>	<b>0</b>



## PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY 13 Req. / FY 12 Enacted</b>
Budget Authority	237,373	238,993	240,611	1,618
FTE	339	350	353	3

NOTE: FY 2011 reflects actual FTE. Authorized FTE for FY 2011 was 349.

### **Introduction**

The Pension Plan Termination and Benefits Administration Activity comprises the majority of the work carried out by the Corporation. It includes the day-to-day work necessary to pay insured benefits to participants in trusted plans. This budget activity covers all direct costs related to plan termination and trusteeship, benefits administration, appeals resolution, and Trust Fund investment management. A significant portion of the budget in this area includes actuarial and auditing support for large and complex plans, IT support for participant services' systems, paying agent support, and our Customer Contact Center. Additionally, we currently contract for benefits administration support at eight different locations outside the Washington, DC area.

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

### **Investment Management**

PBGC's investment program is responsible for managing PBGC's assets utilizing private sector investment management firms subject to PBGC's oversight and consistent with the Corporation's investment policy statement approved by its Board of Directors. PBGC also has assets that are in transition from newly terminated trusted plans or other special holdings (primarily through assets received within settlement agreements as a result of plan terminations) and not subject to PBGC's investment policy. However, subsequent to transition (either through liquidation or in-kind transfers to existing investment managers), these assets subsequently become subject to PBGC's investment policy. The exact size and composition of PBGC's assets can, and does, vary greatly from year to year depending on gains or losses in asset value due to fluctuations in the financial markets, the size and composition of assets assumed from terminated

## **PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION**

pension plans, as well as certain unusual, illiquid or difficult to market assets primarily received from terminated pension plans or through settlement agreements.

### **Five-Year Budget Activity History**

<b><u>Fiscal Year</u></b>	<b><u>Funding</u></b> (Dollars in Thousands)	<b><u>FTE</u></b>
2008	\$214,557	335
2009	\$232,337	340
2010	\$231,205	350
2011	\$242,300	349
2012	\$238,993	350

### **FY 2013**

In FY 2013 the Benefits Administration and Payment Department (BAPD) will continue the benefit determination process for plans trusteeed between FY 2009 and FY 2012. To handle this work load BAPD will:

- Continue to focus on completing the benefit determination work on our oldest plans to make room for the new ones;
- Continue to refine and improve processes to increase throughput and quality; and
- Actively plan for and evaluate alternatives to handle the new work.

BAPD will increase its federal workforce by 3 additional FTE by redirecting resources internally to meet workload demands and knowledge retention. BAPD will continue its effort on a new benefit valuation calculation system to provided better IT security and on-line tools.

The Appeals Division expects to decide a record number of appeals, many of which relate to appeals filed by Delta Airlines pilots.

PBGC's agency request for FY 2013 assumes an increase of \$997,834 for the continued development of a Benefit Calculations and Valuation System.

BCVS is a multiyear development project to replace legacy benefit calculation systems within BAPD. The project will allow BAPD to:

1. Secure Personal Identity Information (PII) data used to administer pension plans;
2. Retire legacy applications;
3. Provide more online capability to plan participants and prior plan administrators;
4. Remove dependency on desktop components; and
5. Provide tools and technology that are scalable/extensible.

### **Financial Management**

During FY 2013, the Corporate Investment Department (CID) will continue the transition of

## **PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION**

assets into the trust fund from plans terminated prior to FY 2013 as well as plans that will be terminated and trusteeed in FY 2013.

### **FY 2012**

During FY 2012, BAPD will continue final benefit determinations for several large cases. Also, in FY 2012 and continuing into FY 2013, BAPD anticipates transferring responsibility for approximately 350,000 pension plan participants, from Field Benefit Administration (FBA) offices which coordinate the benefit determination process to Post Valuation Administration (PVA) sites which administer ongoing plan participation (putting people in pay status, processing address changes, answering questions, death processing, etc),

### **Benefits Administration and Payment Department Strategic Review**

Beginning in 2009, after requests from Senators Klobuchar and Franken and Congressman George Miller, the PBGC OIG investigated and found errors and mismanagement in the valuing of the assets acquired in the National Steel (NS) and United Airlines (UAL) pension plans. As a result, these plans' assets must be reevaluated and tens of thousands of pensioners' benefits must be recalculated.

The PBGC Director decided to undertake a full-scale review of BAPD, covering its organization, personnel and process improvements. PBGC contracted for a full review of BAPD structure and operations and to suggest ways to enhance quality control. The contractor report, as well as PBGC's own internal review work, produced recommendations PBGC management will validate and implement beginning in FY 2012. Potential Activities to be implemented include:

1. Improve Asset Validation Process – This effort will establish a separate organization to perform asset valuations in order to eliminate a major source of process errors.
2. Improve Data Collection – This effort, which is currently decentralized within BAPD, will establish a separate, centralized data collection function.
3. Establish an Independent Quality Assurance (QA) Office – Recommended by the Inspector General, this effort will support the creation of an independent QA Office and the transition of existing QA resources and a significant enhancement, including the addition of Federal employees, to validate and give assurances in PBGC benefit processing.
4. Continued Consolidation of remaining FBA/PVAs – PBGC has historically processed benefits in a large network of dispersed field offices that were largely created to serve particular companies and plans. Over the years, PBGC has reduced the number of offices to eight and will continue the consolidation efforts in FY2013.

## **PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION**

5. Provide Additional Management, Re-Design Procedures, and Update Manuals – Provide for additional management to support operational reforms, new procedures, and allow for consolidating contracts.
6. Provide Ancillary Support and Employee Development – Support master level Program Manager Certification and improved supervisory skill training.

The Financial Operations Department will implement a new Trust Fund accounting system by the end of FY 2012.

### **FY 2011**

During 2011, PBGC focused on sustaining a high-level of performance while handling the heavy influx of participants from plans terminated in FY 2009 and FY 2010. However, the benefits determination process is expected to extend through FY 2012, as well as FY 2013 and possibly into FY 2014. Consequently, PBGC has taken steps to reduce benefit processing time. They include:

- Formal streamlining of the benefit calculation and valuation processes to support more timely processing;
- Increased collaboration and establishment of best practices among processing disciplines (e.g. Auditors, actuaries, managers);
- Managing small, medium and jumbo plans differently; and
- Implementing improved automation.

In FY 2011 the Financial Operations Department began development of a new Trust Fund accounting system which will be completed by the end of FY 2012.

## PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2011 Enacted</b>		<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>Pension Plan Termination and Benefits Administration</b>				
<b>Performance Measure</b>				
Customer Satisfaction score for trustee plan participant callers	79	86	81	81 (e)
Customer Satisfaction score for retirees receiving benefits from PBGC	85	90	85	85 (e)
<b>Performance Measure</b>				
Average time to complete a plan	3.00	2.88	3.00	3.00 (e)
<b>Workload A: Benefit Determinations to be Issued</b>				
Beginning Inventory of Benefits Determinations to be Issued	307,000	304,000	288,000	325,000 (e)
Baseline Receipts (New Participants)	100,000	55,000	100,000	100,000 (e)
Benefits Determinations Issued	70,000	71,000	63,000	150,000 (e)
Ending Inventory	337,000	288,000	325,000	275,000 (e)
<b>Workload B: Total Number of Participants (Trusteed Plans)</b>				
Total Participants (Beginning of Year)	1,366,000	1,366,000	1,384,000	1,439,000 (e)
New Participants (Receipts)	100,000	55,000	100,000	100,000 (e)
Subtotal	1,466,000	1,421,000	1,484,000	1,539,000 (e)
Less: Lump Sum Payouts, Misc. Adjustments, and Mortality Projections	44,000	37,000	45,000	46,000 (e)
Total Participants (End of Year)	1,422,000	1,384,000	1,439,000	1,493,000 (e)

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined

### Workload Summary

A primary focus for PBGC is to complete the most complex and long outstanding benefit determinations as quickly as possible. With these benefits finally settled, participants will know the benefit amount they can expect from PBGC. The FY 2012 benefit determination estimate has been reduced and shifted to FY 2013 to ensure plan asset evaluations and actuarial valuations are done correctly.

In FY 2013, PBGC will meet the demand for more sophisticated Web applications and self-service tools. A major initiative of PBGC's service strategy is to deliver the very much in demand service of providing benefit estimates on-line. The on-line tool will meet current and future participants' need for a vital element in their financial and retirement planning.

**PENSION PLAN TERMINATION AND BENEFITS  
ADMINISTRATION**

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY13 Req./ FY12 Enacted</b>
11.1	Full-time permanent	33,907	35,078	36,850	1,772
11.3	Other than full-time permanent	555	555	557	2
11.5	Other personnel compensation	1,422	1,422	1,427	5
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>35,884</b>	<b>37,055</b>	<b>38,834</b>	<b>1,779</b>
12.1	Civilian personnel benefits	9,412	9,693	9,923	230
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	1,092	940	939	-1
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	3,809	3,837	3,837	0
23.3	Communications, utilities, and miscellaneous charges	3,791	3,801	3,791	-10
24.0	Printing and reproduction	137	137	137	0
25.1	Advisory and assistance services	71,476	71,476	71,476	0
25.2	Other services from non-Federal sources	109,673	110,419	110,064	-355
25.3	Other goods and services from Federal sources 1/	336	336	336	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	373	374	374	0
31.0	Equipment	1,390	925	900	-25
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>237,373</b>	<b>238,993</b>	<b>240,611</b>	<b>1,618</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	336	336	336	0

# PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

## CHANGES IN FY 2013

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Costs of pay adjustments	\$139
Personnel benefits	36
One day more of pay	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
All Other Rental	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services	445
Other purchases of goods and services from Government accounts	0
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	0
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0

**Built-Ins Subtotal** **\$620**

**Net Program** **\$998**

**Direct FTE** **3**

	Estimate	FTE
<b>Base</b>	<b>\$239,613</b>	<b>350</b>
<b>Program Increase</b>	<b>\$998</b>	<b>3</b>





## OPERATIONAL SUPPORT

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY 13 Req. / FY 12 Enacted</b>
Budget Authority	152,188	153,689	162,459	8,770
FTE	395	424	426	2

NOTE: FY 2011 reflects actual FTE. Authorized FTE for FY 2011 was 377.

### **Introduction**

The category of “Operational Support” comprises the shared program and management support work necessary for the mission operations of the Corporation to function. This includes various legal activities outside the IPO, and the management of the Corporation’s strategic planning activities, information technology (IT) infrastructure, budget, procurement, facilities management, general accounting & auditing, communications, and human resources.

### **Five-Year Budget Activity History**

<b><u>Fiscal Year</u></b>	<b><u>Funding</u></b> (Dollars in Thousands)	<b><u>FTE</u></b>
2008	\$128,309	324
2009	\$141,795	372
2010	\$146,450	375
2011	\$147,261	377
2012	\$153,689	424

### **FY 2013**

During FY 2013 PBGC will continue IT Development, Modernization and Enhancement (DME) on several efforts across the corporation that were initiated in prior years.

DME efforts PBGC expects to continue (not conclude) in FY 2013 include:

- Architecting all corporate processes to provide a foundation for future DME projects;
- Implementation of IT information security improvements necessary to support corrective action planned to address material weaknesses in PBGC systems;
- Modernization of Consolidated Financial Systems (CFS) financial system software package to Oracle Release 12;
- Re-compete of the support contract for the Corporation's IT infrastructure; and
- Replacement and modernization of IT hardware and software necessary to support corporate operations including: network and web servers, personal computers, desktop software, network security software and shared software applications.

During FY 2013, PBGC will continue employee support activities initiated in prior fiscal years. These include:

## OPERATIONAL SUPPORT

- Implementation of Homeland Security Policy Directive 12 (HSPD-12) to enhance physical security and afford interoperability with other agencies;
- Continuing to implement Strategic Human Capital Management as mandated by the Office of Personnel Management, while also transforming the federal workforce by continuing to adhere to the President's Hiring Reform Initiative.

PBGC's Office of General Counsel (OGC) is planning the following activities:

- Continued improvement of the Privacy program
- Implement Agency level bid protest and debarment procedures
- Enhance investigation and prosecution of fiduciary breaches.

PBGC's Agency Request for FY 2013 assumes:

An increase of \$3,560,000 to transition the Consolidated Financial Systems (CFS) to Oracle-12

PBGC must upgrade its version of the COTS used for CFS to Oracle's Federal Financials eBusiness Suite Release 12 to ensure a supportable core financial management system and to ensure proper alignment with infrastructure modernization efforts. The current version Release 11i is fast approaching its end of life and effective November 2010 Oracle will: (1) no longer correct functional "bugs"; and (2) no longer maintain the product to work with newer releases of software used or planned for use in PBGC's infrastructure.

An increase of \$3,500,000 for transition costs associated with the re-compete of PBGC IT infrastructure support contract

PBGC is requesting a one-time spending authority of \$3,500,000 for three months of transition costs associated with acquisition and award of replacement contract(s) for existing Operations and Maintenance services which support the Corporation's IT infrastructure during which both the old and new contractors will need to be available to ensure a smooth transition.

A one-time increase of \$740,167 for contractual efforts to support Freedom of Information Act (FOIA) compliance at PBGC.

PBGC's Office of General Counsel (OGC) requesting a one time increase in spending authority of \$740,167 to support miscellaneous expenses, particularly contract support for the Disclosure Division, annual fees for the disclosure system as well as new iterations of Privacy and Ethics Training. This would include:

Most of the increase will support OGC's Disclosure Division, which is an integral part of participant service process at the PBGC. The vast majority of FOIA requests are filed by or on behalf of participants who are seeking information about the basis for their benefit determinations. To date, the Disclosure Division has been able to process these requests without developing any backlogs. Failure to provide the necessary funding will almost certainly lead to backlogs. This is particularly so when one considers that disclosure issues have become more and more complex and the Disclosure Division's overall workload

## **OPERATIONAL SUPPORT**

remains at historically high levels. If backlogs were to develop, that would adversely affect the speed at which participants would be able to challenge their benefit calculations.

### **FY 2012**

In FY 2012, PBGC will concentrate on implementing a wide variety of action plans developed in FY 2010. The majority of this work will extend throughout FY 2012. The Communications and Public Affairs Department will continue efforts initiated in FY 2010 to upgrade the functionality and content of the Corporation's web site and intranet. These efforts will build on the deployment in FY 2011 of a completely redesigned website and an improved intranet featuring daily posting of news and features about PBGC in place of the monthly publication of an employee newsletter that dated virtually to PBGC's first days as an agency.

### **FY 2011**

During FY 2011, PBGC finalized action plans initiated in FY 2010 which will guide the corporation's Operational Support and other activities for the next several fiscal years. The Strategic Planning and Evaluation Division (SPED) updated the Strategic Plan to reflect priorities of the new administration. Several departments and divisions within PBGC completed process architectures with assistance from the Office of Information Technology. The Chief Financial Officer and the Chief Information Officer continued to lead a joint effort which developed and continues to implement major system improvements related to a corrective action plan addressing financial systems integration.

The Human Resources Department (HRD) launched the Workforce Recruitment Program (WRP) to connect PBGC with students and recent graduates with disabilities. HRD strengthened the workforce by enhancing employee training programs, establishing a certified labor-management forum and launching a new HR line of business IT solution. HRD continues to align with the President's Hiring Reform Initiative by encouraging a healthy and balance work life by offering various health and wellness workshops throughout the Corporation.

Office of General Counsel had the following notable accomplishments:

- Have taken major steps to establish a model Privacy program
- Successfully defended or prosecuted dozens of cases
- Handled breach reporting for the corporation
- OGE has selected PBGC's program as one of its finalists for its Program Excellence Award
- Revised the Corporation's Ethics Handbook
- Developed bid protest and debarment procedures

The Facilities and Services Department revised and exercised agency and departmental COOP plans, implemented a robust position risk designation program, continued development and implementation activities for the agency Sustainability Plan, and has worked to enhance the agency records management program. They also replaced all network copiers/printers/scanners with multifunctional devices. The Policies, Procedures and Control Division (PPCD) within the

## **OPERATIONAL SUPPORT**

Financial Operations Division (FOD) initiated an IT information security program for major financial systems including the CFS.

## OPERATIONAL SUPPORT

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2011 Enacted</b>		<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>Operational Support</b>				
<b>Workload A: (Units)</b>				
Service Desk Calls	60,000	56,000	60,000	60,000 (e)
Problem Tickets	30,000	33,408	20,000	30,000 (e)
Servers Supported (Physical)	450	300	300	300 (e)
Software Releases	200	408	350	350 (e)
Data Storage (GB)	250,000	250,000	250,000	250,000 (e)
Network Communication Equipment	233	240	240	250 (e)

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined

### **Workload Summary**

Several Operational Support functions within PBGC have not varied greatly from one fiscal year to the next in the past. Nevertheless, the level of support required each fiscal year is determined by the level of activity within the Insurance Program and Pension Plan Termination and Benefits Administration areas. Consequently, demand for operational support has increased and is expected to remain elevated.

The discovery, during the FY 2009 audit, of a material weakness in IT information security led to an immediate executive focus on developing and implementing a corrective action plan. We are now taking steps to meet federal security and control standards; modernize our business systems; and, upgrade our IT infrastructure. The result is a marked increase in our software releases. In FY 2011, we completed a formal security assessment and authorization of our general support systems, but much work remains to remediate all weaknesses identified. We are making progress on our five-year plan to update and consolidate operational systems for manageability and scalability, and put the necessary IT security controls in place. During FY2011, we focused on implementing server virtualization and strengthening our server security. As a result we were able to significantly reduce our physical server count. We plan to demonstrate significant improvement on a number of security and control weaknesses in FY 2012.

## OPERATIONAL SUPPORT

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY13 Req./ FY12 Enacted</b>
11.1	Full-time permanent	43,368	46,967	48,471	1,504
11.3	Other than full-time permanent	555	555	557	2
11.5	Other personnel compensation	1,430	1,430	1,379	-51
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>45,353</b>	<b>48,952</b>	<b>50,407</b>	<b>1,455</b>
12.1	Civilian personnel benefits	13,279	14,245	14,832	587
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	518	461	479	18
22.0	Transportation of things	1	1	1	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	24,406	24,753	24,753	0
23.3	Communications, utilities, and miscellaneous charges	2,001	1,969	1,923	-46
24.0	Printing and reproduction	146	176	176	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	56,644	54,342	60,140	5,798
25.3	Other goods and services from Federal sources 1/	580	580	580	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	2,346	2,326	2,259	-67
31.0	Equipment	6,914	5,884	6,909	1,025
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>152,188</b>	<b>153,689</b>	<b>162,459</b>	<b>8,770</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	580	580	580	0

# OPERATIONAL SUPPORT

## CHANGES IN FY 2013

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Costs of pay adjustments	\$183
Personnel benefits	54
One day more of pay	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
All Other Rental	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services	571
Other purchases of goods and services from Government accounts	0
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	0
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0

**Built-Ins Subtotal** **\$808**

**Net Program** **\$7,962**

**Direct FTE** **2**

	Estimate	FTE
<b>Base</b>	<b>\$154,497</b>	<b>424</b>
<b>Program Increase</b>	<b>\$7,962</b>	<b>2</b>





## OFFICE OF INSPECTOR GENERAL

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY 13 Req./ FY12 Enacted</b>
Budget Authority	5,965	5,965	6,182	217
FTE	24	24	26	2

NOTE: FY 2011 reflects actual FTE. Authorized FTE for FY 2011 was 24.

PBGC management is including the budget request for the Office of Inspector General as received without comment.

### **Introduction**

The Office of Inspector General (OIG) was established at the Pension Benefit Guaranty Corporation (PBGC) by the 1988 amendments to the Inspector General Act of 1978 (IG Act). Under the IG Act, the OIG is an independent office within PBGC that has no programmatic responsibility so that the OIG can provide the agency and Congress information from independent audits and investigations related to the agency's programs and operations. Rebecca Anne Batts, the current Inspector General, began her tenure on April 28, 2008.

The OIG conducts and supervises independent and objective audits relating to programs and operations of PBGC and recommends policies and procedures that promote economy, efficiency, and effectiveness in program administration.

The OIG conducts investigations of suspected fraud or other violations of laws, mismanagement, gross waste of funds or resources, abuse of authority, and dangers to public safety and health. PBGC employees and contractors are required to report serious abuse or criminal behavior to the OIG. The OIG investigators also develop sources of information to initiate pro-active investigations, targeting PBGC's high-risk areas such as procurement activities, pension fraud, and other financial crimes (e.g., purchase card abuse, misuse or disclosure of sensitive financial or personally-identifiable information). The IG Act provides that complainants are protected against reprisals for making complaints or providing information to the OIG. The OIG is required to expeditiously report to the Attorney General whenever there are reasonable grounds to believe that Federal criminal laws have been violated.

The OIG reviews existing or proposed legislation and regulations to make recommendations to PBGC and the Congress concerning the impact on the economy and the efficiency of program administration or on the prevention and detection of fraud, waste, and abuse.

Under the IG Act, the Inspector General has the right to direct and prompt access to the agency head. The agency head, under the Act, is the PBGC Board of Directors. On a day-to-day basis, the Inspector General communicates with the PBGC Director and the Executive Management Committee members about the work the OIG conducts.

The OIG keeps the agency head and the Congress informed about problems and deficiencies in programs administered by PBGC and the need for timely corrective action. This is accomplished

## OFFICE OF INSPECTOR GENERAL

through meetings and briefings with agency officials, members of the Congress, and their staffs; congressional testimony; and the IG's Semiannual Report to the Congress.

In accordance with section 6(f)(1) of the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3, the Inspector General provides the following information:

- The aggregate request for the operations of the OIG is \$6,182,000;
- Of that amount, \$64,724 is requested for training; and
- I certify that \$64,724 would satisfy the training requirements for FY 2013

### **Five-Year Budget Activity Component History**

<b><u>Fiscal Year</u></b>	<b><u>Funding</u></b> (Dollars in Thousands)	<b><u>FTE</u></b>
2008	\$4,601	22
2009	\$4,691	22
2010	\$5,745	24
2011	\$5,965	24
2012	\$5,965	24

### **Agency Request Level**

### **PERFORMANCE MEASURES**

	<b>FY 2011 Target</b>	<b>FY 2011 Actual</b>	<b>FY 2012 Target</b>	<b>FY 2013 Target</b>
Percentage of OIG professional staff direct time dedicated to critical, high risk, or high-impact activities	70%	95%	75%	80%
Percentage of audits and evaluations where findings and recommendations are presented to auditee within established timeframes	70%	80%	80%	80%
Percentage of investigative inquiries timely converted to investigations or closed	70%	71%	75%	80%

In FY 2010, the OIG established the above performance measures and began implementing systems to track our accomplishment of the targets. For FY 2011, we exceeded each of our performance metrics. The proportion of professional staff time dedicated to high risk and critical activities was particularly high in FY 2011 due to our office's emphasis on responding to two significant Congressional requests.

### **FY 2013**

Over the past three years, OIG has conducted eleven audits and evaluations that tested PBGC's information technology environment, each of which report serious weaknesses and recommend significant remediation and corrective action. PBGC's corrective actions for most of these

## OFFICE OF INSPECTOR GENERAL

weaknesses will take years to complete. Based on our audit work, we concluded that the unabated weaknesses in the IT environment put PBGC at greater and greater risk as the years' progress. In order to ensure timely and effective monitoring of PBGC's long-term corrective actions plan, OIG needs additional auditors with technical IT knowledge to provide effective oversight.

- OIG will focus significant audit work on PBGC's progress in implementing its long-term plan to address systemic Information Technology (IT) issues that comprise two material weaknesses in PBGC's system of internal control. As a result of these material weaknesses (and another addressed below), PBGC received its third consecutive adverse opinion on its system of internal control as part of the FY 2011 financial statement audit. During FY 2010, PBGC began to develop individual IT corrective action plans for fourteen "process families" as described in NIST 800-53 rev. 3 (e.g., access management, IT governance, configuration management). Our review of these IT plans during FY 2011 revealed very limited progress. Uncorrected IT weaknesses can create exponential risk over this long planned corrective action period. We will conduct audits and other engagements during the various phases of the individual corrective action plans to test and evaluate whether PBGC's actions effectively correct the identified control weaknesses.
- In reliance on OIG audit work addressing serious issues in PBGC's audits of plan assets and participant data, the financial statement audit reported a new third material weakness in the internal control opinion. As a result of our work, PBGC has begun to take action to correct the plan asset valuations for the largest terminated pension plans and initiated a top-to-bottom strategic review of the Benefits Administration and Payment Department's (BAPD) organization, policies and procedures. During FY 2013, we anticipate performing detailed audit and evaluation work to assess the effectiveness of the actions PBGC takes to address this core mission area.
- Because PBGC will likely continue to contract out for a large number of services, we will focus substantial audit and investigative resources on identifying opportunities for economy and efficiency in contracting, ensuring the effectiveness of PBGC monitoring to ensure contractors deliver products and services cost-effectively, and detecting and preventing contract fraud, waste, and abuse.
- During FY 2013, the annual financial statement audit and associated audit work will continue to absorb a significant amount of OIG's resources. Additionally, we anticipate that we will continue to receive whistleblower complaints and Congressional requests for audits, reviews, and investigations.

### **FY 2012**

Completed activities during the first quarter of FY 2012 include:

- **Financial statement audit.** We issued 4 audit reports related to the audit of PBGC's financial statements for FY 2011, including the 19th consecutive unqualified opinion on the financial statements. Based on three material weaknesses – two in information technology

## OFFICE OF INSPECTOR GENERAL

controls and one in the pension benefits and payments operations -- we reported an adverse opinion on PBGC's system of internal controls. A separate internal control report provided details of the deficiencies underlying the material weaknesses.

- **Information security weaknesses.** We filed the Federal Information Security Management ACT (FISMA) report filed with OMB on November 15, assessing PBGC's information security posture, and detailed on-going IT security weaknesses in the financial statement internal control report. A narrative FISMA report and vulnerability assessment report will be issued soon.
- **Errors and omissions in PBGC's pension plan asset and participant data audits.** Our review of PBGC's actions disclosed serious shortcomings in the plan asset audits conducted to determine the fair market value of the assets of four United Airline pension plans covering about 140,000 participants. Similar issues uncovered in our review of the National Steel plan asset audit and other internal reviews demonstrate the systemic nature of weaknesses in PBGC's post-termination auditing practices. OIG concluded that PBGC's audit work failed to meet applicable professional standard because neither PBGC nor its contractor exercised due professional care in the conduct of the audits. Further, PBGC did not provide effective oversight for the contractor and accepted and paid for sub-standard and obviously flawed audit work. During the second half of 2012, OIG will continue its emphasis on BAPD activities and on PBGC's ongoing corrective actions.

Upcoming work includes:

- Because previously identified weaknesses in information technology security will continue to affect PBGC systems until corrected, and because PBGC data includes personally-identifiable information from participants and sensitive financial information from plan sponsors, a necessary focus of our audit work during FY 2012 is the security and stability of systems in the "as is" state while changes are being planned and initiated. OIG audits and other reviews have identified serious IT weaknesses that PBGC estimates will require several years to correct. These deficiencies have agency-wide impact, including operating IT general support systems and major applications without the required authorizations to operate and operating a system containing millions of pension plan participants' personally-identified information without appropriate protection.
- As PBGC has significant assets to invest (about \$70,000,000,000 as of September 30, 2011) and the PBGC Board of Directors adopted a new investment policy in May 2011, we will continue to devote substantial resources to the monitoring and review of PBGC's investment policy implementation and practices. Planned reviews include audits of PBGC's oversight of its investment program, including its written policies and procedures, and of PBGC's monitoring of contract investment advisors.
- During FY 2012, we will continue our focus on PBGC's procurement activities. PBGC will likely continue to spend significant funds through contracts for a range of agency mission and support activities. Planned audits will address various aspects of the effectiveness of PBGC's contract monitoring. Our work will answer important questions such as whether

## OFFICE OF INSPECTOR GENERAL

PBGC is getting the people and services it is paying for and whether certain types of high-risk contracts are well managed. Prior audit work has shown significant and persistent weaknesses in PBGC's oversight of its contracting processes.

- We will continue to dedicate a significant amount of our financial and staff resources to the statutorily-required audit of PBGC's annual financial statements. Given the third adverse opinion on internal controls reported in the FY 2011 financial statements audit, that work will require increased attention from OIG management throughout the course of the review.

### FY 2011

For FY 2011, we exceeded each of our performance metrics; our activities included:

- **Financial statement audit.** We issued 4 audit reports related to the audit of PBGC's financial statements for FY 2010, including the 18th consecutive unqualified opinion on the financial statements. Based on a material weakness in information technology controls, we reported an adverse opinion on PBGC's system of internal controls. We also issued a separate internal control report that provided details of the deficiencies underlying the material weakness in information technology controls.
- **Information security weaknesses.** In addition to the Federal Information Security Management ACT (FISMA) report filed with OMB on November 15, we issued 3 reports with findings and recommendations that document our completed IT audit work: a vulnerability assessment (which included penetration testing and social engineering), a detailed FISMA report, and a report on internal controls which highlighted a number of IT issues. Our audit work included detailed follow-up on PBGC's progress in implementing corrective action plans, to include a review of PBGC's evaluation of security controls over its General Support System, the IT security boundary between PBGC systems and the external world.
- **PBGC's strategic preparations for a workload surge.** In response to a request from the Chairman of the Senate Special Committee on Aging, OIG reviewed PBGC's planning efforts to strategically prepare for a potential influx of pension plans and found that PBGC needs to develop specific strategies and tactics to be used in the event of a serious workload surge. Our recommendations included PBGC's need to: (1) take a strategic approach in assessing its preparedness for an influx, (2) ensure that plans reflect the importance of contractors to PBGC's strategic approach, and (3) vet the feasibility of existing plans, including plans for the expansion of contracts and plans to ensure that PBGC can support the need for increased capacity, bandwidth, and network usage.
- **Errors and omissions in PBGC's pension plan asset and participant data audits.** Our review of PBGC's actions disclosed serious errors in the plan asset audit conducted to determine the fair market value of the assets of the National Steel Corporation's family of seven terminated pension plans with approximately 35,000 participants. OIG concluded that PBGC's audit work failed to meet applicable professional standard because neither PBGC nor its contractor exercised due professional care in the conduct of the audits. Further,

## **OFFICE OF INSPECTOR GENERAL**

PBGC did not provide effective oversight for the contractor and accepted and paid for sub-standard and obviously flawed audit work.

## OFFICE OF INSPECTOR GENERAL

<b>BUDGET ACTIVITY COMPONENT BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY13 Req./ FY12 Enacted</b>
11.1	Full-time permanent	2,848	2,848	3,041	193
11.3	Other than full-time permanent	31	31	31	0
11.5	Other personnel compensation	92	92	36	-56
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>2,971</b>	<b>2,971</b>	<b>3,108</b>	<b>137</b>
12.1	Civilian personnel benefits	728	728	780	52
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	18	18	48	30
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	1	1	1	0
24.0	Printing and reproduction	0	0	0	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	2,191	2,191	2,189	-2
25.3	Other goods and services from Federal sources 1/	0	0	0	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	25	25	25	0
31.0	Equipment	31	31	31	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>5,965</b>	<b>5,965</b>	<b>6,182</b>	<b>217</b>
	1/Other goods and services from Federal sources				

# OFFICE OF INSPECTOR GENERAL

## CHANGES IN FY 2013

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Costs of pay adjustments	\$11	
Personnel benefits	3	
One day more of pay	0	
Benefits for former personnel	0	
Travel and transportation of persons	0	
Transportation of things	0	
Rental payments to GSA	0	
All Other Rental	0	
Communications, utilities, and miscellaneous charges	0	
Printing and reproduction	0	
Advisory and assistance services	0	
Other services	41	
Other purchases of goods and services from Government accounts	0	
Research & Development Contracts	0	
Operation and maintenance of facilities	0	
Operation and maintenance of equipment	0	
Supplies and materials	0	
Equipment	0	
Grants, subsidies, and contributions	0	
Insurance claims and indemnities	0	

**Built-Ins Subtotal** **\$55**

**Net Program** **\$162**

**Direct FTE** **2**

	Estimate	FTE
<b>Base</b>	<b>\$6,020</b>	<b>24</b>
<b>Program Increase</b>	<b>\$162</b>	<b>2</b>



## SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY 13 Req. / FY 12 Enacted</b>
Budget Authority	6,009,000	5,920,000	6,534,000	614,000
FTE	0	0	0	0

### **Introduction**

Resources that PBGC requests for benefit payments result from a non-discretionary entitlement. Under this program the Corporation pays guaranteed amounts to beneficiaries of private sector, single-employer defined-benefit pension plans when those plans terminate without enough assets to provide basic benefits. About 33,800,000 workers and retirees in some 25,000 single-employer pension plans have a pension guaranty with PBGC.

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

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

### **Five-Year Budget Activity History**

<b><u>Fiscal Year</u></b>	<b><u>Funding</u></b> (Dollars in Thousands)	<b><u>FTE</u></b>
2008	\$4,500,000	0
2009	\$4,722,000	0
2010	\$5,823,000	0
2011	\$6,009,000	0
2012	\$5,920,000	0

## SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

### **FY 2013**

PBGC's outlays for Single Employer Program Benefit Payments in FY 2013 will be determined by the Corporation's obligations under ERISA.

### **FY 2012**

PBGC's outlays for Single Employer Program Benefit Payments in FY 2012 will be determined by the Corporation's obligations under ERISA.

### **FY 2011**

PBGC's outlays for Single Employer Program Benefit Payments in FY 2011 were \$5,300,000,000 as determined by the Corporation's obligations under ERISA.

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2011 Enacted</b>		<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>Single Employer Program Benefit Payments</b>				
<b>Workload Indicator: Number of Plans</b>				
Retirees receiving monthly benefit checks	792,382 (e)	775,300	822,000 (e)	872,000 (e)

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined

### **Workload Summary**

The number of retirees receiving checks has traditionally increased an average of 4 percent each year. However, current economic conditions present the possibility of a larger than anticipated increase in pension plan terminations could occur.

## SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY13 Req./ FY12 Enacted</b>
11.1	Full-time permanent	0	0	0	0
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	0	0	0	0
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
12.1	Civilian personnel benefits	0	0	0	0
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	0	0	0	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	0	0	0	0
24.0	Printing and reproduction	0	0	0	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	0	0	0	0
25.3	Other goods and services from Federal sources 1/	0	0	0	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	0	0	0	0
31.0	Equipment	0	0	0	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	6,009,000	5,920,000	6,534,000	614,000
	<b>Total</b>	<b>6,009,000</b>	<b>5,920,000</b>	<b>6,534,000</b>	<b>614,000</b>
	1/Other goods and services from Federal sources				

# SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

## CHANGES IN FY 2013

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
All Other Rental	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services	0
Other purchases of goods and services from Government accounts	0
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	0
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0

**Built-Ins Subtotal** **\$0**

**Net Program** **\$614,000**

**Direct FTE** **0**

	Estimate	FTE
<b>Base</b>	<b>\$5,920,000</b>	<b>0</b>
<b>Program Increase</b>	<b>\$614,000</b>	<b>0</b>

## MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY 13 Req. / FY 12 Enacted</b>
Budget Authority	131,000	111,000	118,000	7,000
FTE	0	0	0	0

### **Introduction**

Multiemployer financial assistance is a non-discretionary entitlement program. The multiemployer program covers about 10,000,000 participants in approximately 1,500 insured plans. Funded and administered separately from the single-employer program, the multiemployer program differs in that PBGC steps in to pay financial assistance at no more than the guarantee level to multiemployer plans when a covered plan proves unable to pay benefits when due rather than, as in the case of single-employer plans, when the plan terminates.

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

### **Five-Year Budget Activity History**

<b><u>Fiscal Year</u></b>	<b><u>Funding</u></b> (Dollars in Thousands)	<b><u>FTE</u></b>
2008	\$106,000	0
2009	\$97,000	0
2010	\$101,000	0
2011	\$131,000	0
2012	\$111,000	0

### **FY 2013**

PBGC's outlays for Multiemployer Program Financial Assistance in FY 2013 will be determined by the Corporation's obligations under ERISA.

### **FY 2012**

PBGC's outlays for Multiemployer Program Financial Assistance in FY 2012 will be determined by the Corporation's obligations under ERISA.

### **FY 2011**

PBGC's outlays for Multiemployer Program Financial Assistance in FY 2011 were \$115,000,000 as determined by the Corporation's obligations under ERISA.

## MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2011 Enacted</b>		<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>Multi-Employer Program Financial Assistance</b>				
<b>Workload: Number of Plans</b>				
Multiemployer plans receiving financial assistance	53 (e)	50	60 (e)	62 (e)

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined

### **Workload Summary**

PBGC anticipates substantial but as yet not quantified workload increases within the Multiemployer Program during between FY 2012 and FY 2013. Many large multiemployer pension plans are seriously underfunded and could need financial assistance in the near future.

## MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2011 Enacted</b>	<b>FY 2012 Enacted</b>	<b>FY 2013 Request</b>	<b>Diff. FY13 Req./ FY12 Enacted</b>
11.1	Full-time permanent	0	0	0	0
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	0	0	0	0
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
12.1	Civilian personnel benefits	0	0	0	0
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	0	0	0	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	0	0	0	0
24.0	Printing and reproduction	0	0	0	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	0	0	0	0
25.3	Other goods and services from Federal sources 1/	0	0	0	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	0	0	0	0
31.0	Equipment	0	0	0	0
33.0	Investments and Loans	131,000	111,000	118,000	7,000
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>131,000</b>	<b>111,000</b>	<b>118,000</b>	<b>7,000</b>
1/Other goods and services from Federal sources					

# MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

## CHANGES IN FY 2013

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
All Other Rental	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services	0
Other purchases of goods and services from Government accounts	0
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	0
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0
Investment and Loans	0

**Built-Ins Subtotal** **\$0**

**Net Program** **\$7,000**

**Direct FTE** **0**

	<b>Estimate</b>	<b>FTE</b>
<b>Base</b>	<b>\$111,000</b>	<b>0</b>
<b>Program Increase</b>	<b>\$7,000</b>	<b>0</b>