



Highlights of [GAO-07-808](#), a report to congressional committees

PENSION BENEFIT GUARANTY CORPORATION

Governance Structure Needs Improvements to Ensure Policy Direction and Oversight

Why GAO Did This Study

The Pension Benefit Guaranty Corporation (PBGC) insures the pensions of millions of private sector workers and retirees in certain employer-sponsored pension plans. It is governed by a board of directors consisting of the Secretaries of the Treasury, Labor, and Commerce, who are charged with providing PBGC with policy direction and oversight. This report assesses (1) the extent to which PBGC's governance structure provides PBGC with policy direction and oversight, and (2) whether administrative responsibilities among the PBGC board, Department of Labor (DOL), and PBGC management are clearly defined. We examined corporate governance practices, select federal government corporations, and reviewed documents on PBGC's structure. We interviewed officials from all board member agencies and PBGC, among others.

What GAO Recommends

GAO recommends that the board develop policies and mechanisms consistent with corporate governance practices, and develop formal guidelines to clarify roles and responsibilities. In response, PBGC's board stated that its review of the corporation's bylaws will help delineate authorities, and PBGC's interim director said he was committed to working with the board to enhance PBGC's governance processes.

GAO is also asking Congress to consider expanding the PBGC's board of directors.

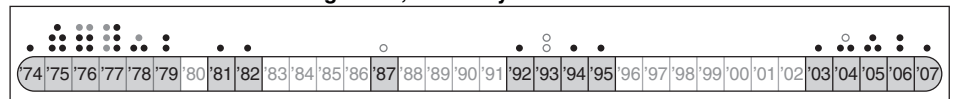
www.gao.gov/cgi-bin/getrpt?GAO-07-808.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg, 202-512-7215, bovbjergb@gao.gov.

What GAO Found

Although PBGC's board has provided greater attention to PBGC since 2003, the board has limited time and resources to provide policy direction and oversight and has not established comprehensive written procedures and mechanisms to monitor PBGC operations. Because PBGC's board is composed of three cabinet secretaries, who have numerous other responsibilities, the board structure does not guarantee that PBGC's board is active and diverse. For example, since 1980, a span of 27 years, there were only 18 official board meetings, as shown below. Further, the board has not established formal procedures to ensure that PBGC management provides it information on all policy matters nor has it developed standing committees to oversee operations. Instead, the board relies on PBGC's Inspector General and management's oversight committees to ensure that PBGC is operating effectively. However, there are no formal protocols concerning the Inspector General's interaction with the board, and PBGC internal management are not independent and are not required to routinely report all matters to the board. Even though PBGC uses informal channels of communication to inform its board members, the board's oversight may be limited, because it cannot be certain that it is receiving high quality and timely information about all significant matters facing the corporation.

Number of PBGC Board Meetings Held, 1974-May 2007



- Teleconference
- Meeting (with no quorum)
- Meeting (with quorum)

Source: GAO analysis of PBGC documents and board meeting minutes

PBGC's lack of formal guidelines to articulate the administrative roles and responsibilities among the board, the Secretary of Labor as the board chair, board members' agencies, and the PBGC Director has led, at times, to confusion and inefficiencies. The board has not addressed uncertainty over the extent to which PBGC is a separate and distinct executive agency, a fact that has resulted in confusion over when DOL has the authority to manage PBGC's operations. Further, neither DOL nor PBGC has developed formal policies and procedures to define the board's authorities and responsibilities. Instead, PBGC officials typically react to DOL's periodic written and oral communications, which PBGC officials said sometimes become a part of PBGC's operational framework. For example, PBGC is required to incorporate its budget request with DOL's budget request, and over the years, DOL has taken a more active role in reviewing PBGC's budget. However, PBGC officials believe that DOL has in some cases overstepped its role. For instance, DOL and PBGC officials disagreed over the inclusion of a funding request in PBGC's fiscal year 2007 budget.