

FY 2012

CONGRESSIONAL BUDGET JUSTIFICATION

PENSION BENEFIT GUARANTY CORPORATION

PENSION BENEFIT GUARANTY CORPORATION

TABLE OF CONTENTS

Appropriation Language	1
Explanation of Language Change.....	2
Analysis of Appropriation Language.....	3
Summary of Changes.....	5
Summary Budget Authority and FTE by Activity	7
Budget Authority by Object Class	8
Total Budgetary Resources	9
Authorizing Statutes.....	10
Appropriation History	11
Overview.....	12
Organization Chart.....	18
Budget Activities	19
Pension Insurance	19
Pension Plan Termination and Benefits Administration.....	27
Operational Support.....	33
Office of Inspector General	39
Single Employer Program Benefit Payments	47
Multi-Employer Program Financial Assistance.....	53

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, [2010] 2012, for the Corporation: Provided, That none of the funds available to the Corporation for fiscal year 2012 shall be available for obligations for administrative expenses in excess of [\$464,067,000] \$476,901,000: 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 [2010] 2012, an amount not to exceed an additional \$9,200,000 shall be available through September 30, [2011] 2013 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, [2011] 2013 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.

Note.—A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111–242, as amended). The amounts included for 2011 reflect the annualized level provided by the continuing resolution.

PENSION BENEFIT GUARANTY CORPORATION

EXPLANATION OF APPROPRIATION LANGUAGE CHANGE

The final clause in current legislation states: Provided further, That obligations in excess of the amounts provided in this paragraph may be incurred for unforeseen and extraordinary pre-termination 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.

PBGC is requesting this clause be modified to read: Provided further, That obligations in excess of the amounts provided in this paragraph may be incurred for unforeseen and extraordinary single employer program 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

ANALYSIS OF APPROPRIATION LANGUAGE

The current appropriations language, which limits PBGC's requests for additional resources to pre-termination activities, is not suitable to the multiemployer program. To alleviate this situation and clarify PBGC's funding authority, the corporation requests modification of the current appropriations language to allow use of funding for extraordinary expenses in the multiemployer program.

ERISA established two insurance programs to be administered by PBGC: 1) the single-employer program, which covers plans maintained by one employer, or by a group of employers but not pursuant to a collective bargaining agreement; and 2) the multiemployer program, for collectively bargained plans that cover the employees of two or more unrelated employers. Each program is operated and financed separately, and assets from one cannot be used to support the other.

Unlike the single employer program, PBGC does not become the trustee of multiemployer plans. PBGC makes financial assistance payments, in the form of loans, to insolvent multiemployer plans to enable them to pay guaranteed benefits and pay reasonable administrative expenses. PBGC incurs administrative costs to support the multiemployer program before and after it becomes responsible for the plan.

The scale of PBGC's multiemployer workload over the next several years is subject to factors largely beyond the corporation's control. The general decline in ongoing defined benefit plans, continued weaknesses in certain sectors of the economy, and PBGC's financial exposure to future losses from severely underfunded plans suggest there will be increased demand on PBGC's operational and analytic functions in both programs.

Accordingly, PBGC's appropriation proposal for FY 2012 anticipates that there will be a need to devote more resources to the multiemployer insurance program (though the timing and amount are not easily predicted), specifically to analyze the statutory and regulatory changes necessary to stabilize multiemployer pension plans, to deal with known increases in financial assistance to insolvent plans, and to scale up multiemployer program activities generally (e.g., audit, plan close-out, risk assessment/contingency classification, legal, and actuarial activities).

PENSION BENEFIT GUARANTY CORPORATION

AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2010 Enacted		FY 2011 Full Year C.R.		FY 2012 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	\$0	0	\$0	0	\$0
Administrative Activities	0	\$0	0	\$0	0	\$0
Pension Insurance Operations	216	\$86,412	198	\$74,506	198	\$86,023
Pension Plan Termination	350	\$231,205	346	\$242,300	346	\$243,372
Operational Support	375	\$146,450	368	\$147,261	368	\$147,506
Total Administrative Activities	941	\$464,067	912	\$464,067	912	\$476,901
Program Activities	0	\$0	0	\$0	0	\$0
Single-Employer Program Benefit Payments	0	\$5,823,000	0	\$6,009,000	0	\$6,688,000
Multiemployer Program Financial Assistance	0	\$101,000	0	\$131,000	0	\$123,000
Total Program Activities	0	\$5,924,000	0	\$6,140,000	0	\$6,811,000
Total Program and Administrative Activities	941	\$6,388,067	912	\$6,604,067	912	\$7,287,901
Offsetting Collections From:	0	\$0	0	\$0	0	\$0
Interest on Federal Securities	0	\$1,000,000	0	\$797,000	0	\$834,000
Premium Receipts	0	\$1,721,000	0	\$2,547,000	0	\$2,903,000
Benefit Payment Reimbursements	0	\$3,307,000	0	\$3,440,000	0	\$3,881,000
Trust Fund for Administrative Expenses **	0	\$464,067	0	\$452,465	0	\$464,978
<i>Subtotal, Offsetting Collections From</i>	<i>0</i>	<i>\$6,492,067</i>	<i>0</i>	<i>\$7,236,465</i>	<i>0</i>	<i>\$8,082,978</i>
B. Gross Budget Authority	941	\$12,880,134	912	\$13,840,532	912	\$15,370,879
Offsetting Collections To:	0	\$0	0	\$0	0	\$0
Interest on Federal Securities	0	-\$1,000,000	0	-\$797,000	0	-\$834,000
Premium Receipts	0	-\$1,721,000	0	-\$2,547,000	0	-\$2,903,000
Benefits Payment Reimbursements	0	-\$3,307,000	0	-\$3,440,000	0	-\$3,881,000
Administrative Expenses	0	-\$464,067	0	-\$452,465	0	-\$464,978
<i>Subtotal, Offsetting Collections To</i>	<i>0</i>	<i>-\$6,492,067</i>	<i>0</i>	<i>-\$7,236,465</i>	<i>0</i>	<i>-\$8,082,978</i>
C. Obligating Authority Before Committee	941	\$464,067	912	\$464,067	912	\$476,901
D. Total Budgetary Resources	941	\$6,388,067	912	\$6,604,067	912	\$7,287,901
Unobligated Balance Expiring	-40	\$0	0	\$0	0	\$0
E. Total, Estimated Obligations	901	\$6,388,067	912	\$6,604,067	912	\$7,287,901

**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 multiemployer trust funds, approximately 97.5% of PBGC's total FY 2010 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. In FY 2009, total administrative expenses were fully reimbursed, resulting in no budget impact.

PENSION BENEFIT GUARANTY CORPORATION

SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2011 Full Year C.R.	FY 2012 Request	Net Change
Obligational Authority			
Program	\$6,140,000	\$6,811,000	+\$671,000
Administrative	\$464,067	\$476,901	+\$12,834
Total	\$6,604,067	\$7,287,901	+\$683,834

Full Time Equivalents

Program	0	0	0
Administrative	912	912	0
Total	912	912	0

Explanation of Change	FY 2011 Base		FY 2012 Change				Total	
			Administrative Activities		Program Activities			
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	912	\$104,975	0	\$0	0	\$0	0	\$0
Personnel benefits	0	\$27,396	0	\$0	0	\$0	0	\$0
One day less 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	\$2,019	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	\$28,317	0	\$283	0	\$0	0	\$283
Communications, utilities, and miscellaneous charges	0	\$5,821	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	\$209,944	0	\$1,034	0	\$0	0	\$1,034
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

PENSION BENEFIT GUARANTY CORPORATION

Explanation of Change	FY 2011 Base		FY 2012 Change					
			Administrative Activities		Program Activities		Total	
Supplies and materials	0	\$2,851	0	\$0	0	\$0	0	\$0
Equipment	0	\$8,346	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$6,009,000	0	\$0	0	\$0	0	\$0
Investment and Loans	0	\$131,000	0	\$0	0	\$0	0	\$0
Built-Ins Subtotal	912	+\$6,604,067	0	+\$1,317	0	\$0	0	+\$1,317
B. Programs:								
Benefit Payment Increase	0	\$6,009,000	0	\$0	0	\$679,000	0	\$679,000
Premium Accounting System to Premium & Practitioner System Conversion	0	\$2,625	0	\$8,696	0	\$0	0	\$8,696
Insurance Program Office Actuarial Support	164	\$47,667	0	\$2,821	0	\$0	0	\$2,821
Programs Subtotal			0	+\$11,517	0	+\$679,000	0	+\$690,517
Total Increase	912	+\$6,604,067	0	+\$12,834	0	+\$679,000	0	+\$691,834
Decreases:								
A. Built-Ins:								
To Provide For:								
Built-Ins Subtotal	0	\$0	0	\$0	0	\$0	0	\$0
B. Programs:								
Financial Assistance Increase	0	\$131,000	0	\$0	0	-\$8,000	0	-\$8,000
Programs Subtotal			0	\$0	0	-\$8,000	0	-\$8,000
Total Decrease	0	\$0	0	\$0	0	-\$8,000	0	-\$8,000
Total Change	912	+\$6,604,067	0	+\$12,834	0	+\$671,000	0	+\$683,834

PENSION BENEFIT GUARANTY CORPORATION

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY (Dollars in Thousands)						
	FY 2010 Enacted		FY 2011 Full Year C.R.		FY 2012 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
Pension Insurance	200	86,412	198	74,506	198	86,023
Administrative	200	86,412	198	74,506	198	86,023
Pension Plan Termination and Benefits Administration	339	231,205	346	242,300	346	243,372
Administrative	339	231,205	346	242,300	346	243,372
Operational Support	362	146,450	368	147,261	368	147,506
Administrative	362	146,450	368	147,261	368	147,506
Office of Inspector General - Non- Add	20	5,745	24	5,965	24	5,965
Administrative	20	5,745	24	5,965	24	5,965
Single Employer Program Benefit Payments	0	5,823,000	0	6,009,000	0	6,688,000
Program	0	5,823,000	0	6,009,000	0	6,688,000
Multi-Employer Program Financial Assistance	0	101,000	0	131,000	0	123,000
Program	0	101,000	0	131,000	0	123,000
Total	901	6,388,067	912	6,604,067	912	7,287,901
Program	0	5,924,000	0	6,140,000	0	6,811,000
Administrative	901	464,067	912	464,067	912	476,901

NOTE: FY 2010 reflects actual FTE.

PENSION BENEFIT GUARANTY CORPORATION

BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Change FY 12 Req. / FY 10 Enacted
	Full-Time Equivalent				
	Full-time Permanent	911	911	911	0
	Other	30	1	1	-29
	Total	941	912	912	-29
	Reimbursable	0	0	0	0
	Total Number of Full-Time Permanent Positions	989	989	989	0
	Average ES Salary	\$166,158	\$166,158	\$166,158	\$0
	Average GM/GS Grade	12/1	12/1	12/1	0
	Average GM/GS Salary	\$95,397	\$95,397	\$95,397	\$0
	Average Salary of Ungraded Positions	0	0	0	0
11.1	Full-time permanent	98,295	99,392	99,392	1,097
11.3	Other than full-time permanent	1,581	1,564	1,564	-17
11.5	Other personnel compensation	3,410	4,019	4,019	609
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	103,286	104,975	104,975	1,689
12.1	Civilian personnel benefits	26,582	27,396	27,396	814
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	1,924	2,019	2,019	95
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	28,084	28,317	28,600	516
23.3	Communications, utilities, and miscellaneous charges	6,220	5,821	5,821	-399
24.0	Printing and reproduction	486	343	343	-143
25.1	Advisory and assistance services	62,907	72,561	72,561	9,654
25.2	Other services	220,588	209,944	222,495	1,907
25.3	Other purchases of goods and services from Government Accounts	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	2,736	2,851	2,851	115
31.0	Equipment	9,760	8,346	8,346	-1,414
33.0	Investments and Loans	101,000	131,000	123,000	22,000
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	5,823,000	6,009,000	6,688,000	865,000
	Total	6,388,067	6,604,067	7,287,901	899,834
	1/Other Purchases of Goods and Services From Government Accounts				
	Services by Other Government Departments	1,493	1,493	1,493	0

PENSION BENEFIT GUARANTY CORPORATION

TOTAL BUDGETARY RESOURCES												
FY 2010 - 2012												
(Dollars in Thousands)												
	FY 2010 Enacted				FY 2011 Full Year C.R.				FY 2012 Request			
	Activity Approp.	Other Approp. ¹	Other Resrcs. ²	Total	Activity Approp.	Other Approp. ¹	Other Resrcs. ²	Total	Activity Approp.	Other Approp. ¹	Other Resrcs. ²	Total
Pension Benefit Guaranty Corporation	6,388,067	0	0	6,388,067	6,604,067	0	0	6,604,067	7,287,901	0	0	7,287,901
Pension Insurance	86,412	0	0	86,412	74,506	0	0	74,506	86,023	0	0	86,023
Pension Plan Termination and Benefits Administration	231,205	0	0	231,205	242,300	0	0	242,300	243,372	0	0	243,372
Operational Support	146,450	0	0	146,450	147,261	0	0	147,261	147,506	0	0	147,506
Single Employer Program Benefit Payments	5,823,000	0	0	5,823,000	6,009,000	0	0	6,009,000	6,688,000	0	0	6,688,000
Multi-Employer Program Financial Assistance	101,000	0	0	101,000	131,000	0	0	131,000	123,000	0	0	123,000
Total	6,388,067	0	0	6,388,067	6,604,067	0	0	6,604,067	7,287,901	0	0	7,287,901

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

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

PENSION BENEFIT GUARANTY CORPORATION

AUTHORIZING STATUTES

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

APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2002...1/	\$189,880	\$189,880	\$189,880	\$227,162	754
2003...2/	192,894	192,894	192,894	270,504	752
2004...3/	228,772	228,772	228,772	293,914	806
2005...4/	266,330	266,330	266,330	350,556	851
2006...5/	296,978	296,978	296,978	385,647	870
2007...6/	397,645	397,645	397,645	405,391	870
2008	411,151	411,151	411,151	411,151	870
2009...7/	444,722	444,722	444,722	444,722	928
2010	464,067	464,067	464,067	464,067	941
2011...8/	466,301	0	0	464,067	912
2012	476,901	0	0	0	912

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

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

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

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

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

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

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

8/ FY 2011 A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

PENSION BENEFIT GUARANTY CORPORATION

OVERVIEW

Introduction

Even as a fledgling economic recovery slowly takes hold, Americans face uncertainty: uncertainty about the economy; uncertainty that their companies and their jobs will last beyond the next paycheck; and uncertainty about when and how government efforts to help will work.

Throughout this uncertainty, *PBGC continues to help*. Thirty-six years ago Congress set us up to protect and insure pension plans, and make sure workers' benefits get paid. That remains our mission:

- *We work with companies to keep their pension plans.* Last year PBGC staff negotiated with dozens of companies, both in bankruptcy and otherwise, to preserve their plans. Partly as a result, 250,000 people in FY 2010 will keep their pension plans that otherwise might not.
- *When plans do fail, we step in and make sure benefits keep getting paid.* We work to ensure that retirees get the full benefits provided by law—on time.
- *We implement pension laws, and work with the President and Congress to improve them.* In FY 2010 we worked with both the private sector and other government agencies to implement the funding provisions provided by the Pension Protection Act of 2006, and, working with other agencies, helped Congress revise it. We will continue to provide policymakers with the information they need to decide if and when future changes are necessary.

We currently protect the retirement hopes of 44,000,000 Americans in more than 27,500 ongoing pension plans. When a PBGC-insured plan cannot keep its pension promises, PBGC makes sure the plan's participants get their benefits, up to the limits of federal pension law.

Over the years we've become responsible for almost 1,500,000 people in 4,200 failed plans. Every month, on average, we pay \$467,000,000 to 801,000 retirees. PBGC is also responsible for future payments to almost 700,000 who have not yet retired. During FY 2010, we assumed responsibility for 109,000 additional workers and retirees in 172 failed plans.

Working to Preserve Pension Plans

PBGC tries, first, to preserve plans and keep pension promises in the hands of the employers who make them. Every plan retained by its sponsor is a victory both for PBGC and for the plan's participants.

Early Warning: Stepping in Before Plans Fail

When companies undertake major transactions that might threaten their ability to pay pensions, PBGC negotiates protections for their pension plans. During FY 2010, PBGC monitored more than 1,000 large companies to identify such transactions. When appropriate, PBGC works with companies to arrange additional financial protection for their plans.

PENSION BENEFIT GUARANTY CORPORATION

Similarly, when major layoffs or plant closures threaten a plan's viability, PBGC steps in and works to negotiate protection for the plan. In FY 2010, we opened 129 such cases, and secured an additional \$250,000,000 for participants in 20 companies' pension plans. Since 2006, we have negotiated with sponsors for added protection totaling more than \$644,000,000 strengthening the pensions of more than 76,000 workers and retirees.

Preserving Plans in Bankruptcy

If a company enters bankruptcy, PBGC becomes an active advocate, urging reorganizing sponsors to keep their plans if possible. In FY 2010, PBGC's efforts ensured that plans sponsored by LyondellBasell Industries, Smurfit-Stone, Lear Corp., and more than 30 other companies survived Chapter 11 bankruptcies. Their 250,000 employees and retirees continue to enjoy their full benefits, and are still protected by PBGC insurance coverage.

Stepping in to Ensure Pensions if Plans Fail

If a plan cannot be preserved, then PBGC will pay its beneficiaries. For 36 years we have stepped in to pay their benefits — on time, each and every month, and without interruption. In FY 2010, this proud tradition continued: we made 8,500,000 payments totaling \$5,600,000,000.

Preserving Multiemployer Plans

Multiemployer plans are different and more complicated than single-employer plans, and PBGC's multiemployer pension insurance works very differently from our single-employer program. For decades, multiemployer plans were in relatively good health, even in the face of industry decline. Unfortunately, for many multiemployer plans, that is no longer true. By FY 2010, many multiemployer plans had become substantially underfunded.

This will, of course, increase PBGC's obligations with respect to such plans. As of September 30, 2010, our estimate of our possible future obligations increased to \$20,000,000,000 from a FY 2009 estimate of \$326,000,000.

However, our focus now is on what measures might preserve these plans. It is not yet clear what those measures will be, but PBGC has begun developing the tools to analyze them. In FY 2010, we developed and introduced a new multiemployer version of our Pension Insurance Modeling System. We have also begun discussions with multiemployer plans and others to secure the information that will be necessary to develop potential solutions.

Protecting Our Financial Integrity

Despite PBGC's efforts to preserve pensions, in FY 2010 147 underfunded single employer plans did terminate, most often in bankruptcy. These included plans sponsored by Crucible Metals, Fraser Papers, Hartmarx, and St. Vincent Catholic Medical Centers.

When pension plan sponsors cannot maintain their plans, PBGC does more than just assume responsibility for benefit payments. We also take over the assets of those plans, and fight in court on behalf of participants and other stakeholders to recover the maximum possible amount from sponsors of those plans. In FY 2010 PBGC assumed \$1,800,000,000 in assets from failed plans, and recovered additional assets of \$246,000,000 from plan sponsors to help pay for benefits.

PENSION BENEFIT GUARANTY CORPORATION

Staying Accountable, to Pensioners and the Public

Throughout our 36 years, PBGC has worked to provide our assistance in ways that are not only compassionate, but also professional and accountable.

Measuring Our Performance

Each year, we set standards for operating performance in our annual performance plan. The performance report available at <http://www.pbgc.gov/about/ar2010.html> describes these standards and our FY 2010 results in detail. It covers the benchmarks we use to satisfy ourselves and the public that we are:

- *Paying benefits as accurately and quickly as possible.* PBGC must determine the benefits owed to each plan participant when it becomes responsible for a single-employer terminated plan. By law the benefit determination process is complex and customized, requiring a unique calculation for each participant. Despite this complexity, PBGC remains committed to providing exceptional service to participants—delivering accurate and timely benefit determinations and payments, and remaining responsive to participants' needs. In FY 2010, we were able to reduce our backlog of benefit determinations and reduce the average age of unissued benefit determinations from 1.5 years to 1.2 years.
- *Meeting the needs both of pension plans and the participants in those plans.* In FY 2010, our customer satisfaction scores, measured by the independent surveys of The American Customer Satisfaction Index (ACSI), remained well above most federal agencies and private businesses.
- *Investing the funds entrusted to us wisely.* In FY 2010, the investment firms we chose outperformed their benchmarks. For the year, PBGC realized a 12% annualized return on total invested funds (excluding transition accounts).
- *Maintaining our status as one of the best agencies in the eyes of our employees.* In surveys performed by the US Office of Personnel Management, PBGC scored no lower than seventh among 82 federal agencies on any measure of employee satisfaction.

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

The PBGC is administered by a presidentially-appointed, Senate-confirmed Director subject to the policies established by its Board of Directors consisting of the Secretaries of Labor, Commerce and Treasury, with the Secretary of Labor as Chair.

PENSION BENEFIT GUARANTY CORPORATION

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

Reforming the Insurance Program to Help the PBGC Protect Pensions

While PBGC can continue paying benefits for many years to come, at present the program does not have the resources to fully satisfy PBGC's obligations in the long run. 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 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 2012 Budget to give the PBGC Board authority to adjust premiums gradually over time. 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 require two years of study and public comment before any implementation and 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 billion over the next decade while strengthening the defined benefit pension system for the millions of Americans who rely on it.

Cost Model

The FY 2012 administrative operating budget (\$476,901,000) is comprised of three activities:

- Pension Insurance (\$86,023,000 and 198 FTE) includes such functions as the collection and investment of premiums; monitoring, negotiating and litigating protections for participants in endangered plans; prosecuting claims recoveries in terminated plans; and assisting plan practitioners in their dealings with the Corporation.
- Pension Plan Termination and Benefits Administration (\$243,372,000 and 346 FTE) includes the work necessary to fulfill PBGC's responsibilities toward the participants in trusteed plans, including determining and paying the benefits and providing related services (\$171,896,000); and trust fund investment management fees (\$71,476,000).
- Operational Support (\$147,506,000 and 368 FTE) includes the vast range of activities necessary to keep the Corporation working, including facilities, information technology,

PENSION BENEFIT GUARANTY CORPORATION

and other administrative services such as accounting, budget, strategic planning and human resources management.

PBGC's Agency Request assumes:

A one year increase of \$8,696,000 to fund implementation of a new Premium & Practitioner System (PPS) to replace the current Premium Accounting System is being requested. The new PPS system will:

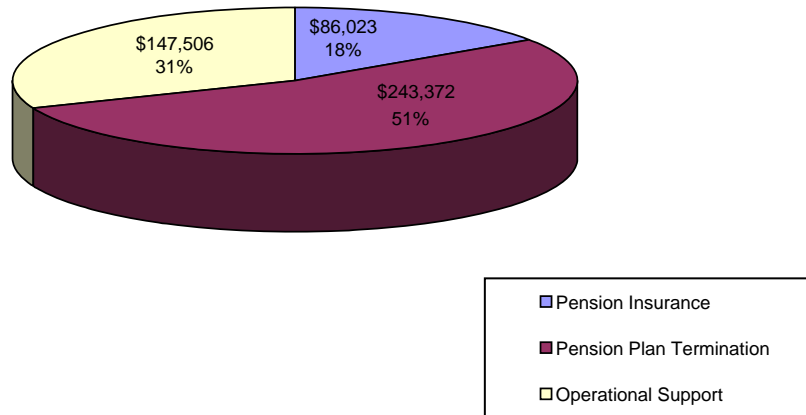
- Simplify the premium payment process for pension plan administrators, thereby reducing errors and erroneous payments;
- Achieve significant progress in resolving the longstanding Office of Inspector General (OIG) audit finding on financial management systems integration and information security;
- Support government-wide initiatives (including Improved Financial Performance and Expanded Electronic Government) and PBGC's strategic goal on Effective and Efficient stewardship of PBGC resources;
- Improve customer service through centralized solution to manage interactions that provides for transparency in premium data and the plans' status with PBGC, facilitates timely and comprehensive communications, and provides practitioners with broader self service features through the Web (e.g., Request for Reconsideration on billing disputes, updating plan information, stand alone payments, refund status check);
- Improve business processes and upgrade technology that is past its life cycle; decrease high support costs;
- Provide more accurate and timely financial data by modernizing premium filing validations, adjustments and refunds; and,
- Strengthen premium related internal controls to safeguard PBGC assets.

A baseline increase of \$2,821,000 to provide enhanced actuarial and analytic support to Insurance Program Operations (IPO) is being requested. The volume and complexity of the IPO actuarial work has increased substantially in the past five years without an increase in the baseline budget for actuarial support. The number of single-employer plan terminations with very large claims increased sharply beginning in 2005, and such cases require complex and sophisticated actuarial analysis to support negotiations and litigation that tend to run for months. IPO actuaries also provide support for the early warning program and other plan preservation efforts, as well as PBGC contingent liabilities for its financial statements. PBGC has met these actuarial budget shortfalls through internal re-prioritizing of funds; however, this is not a sound long-term practice because it diminishes other IPO risk mitigation activities.

A baseline increase of \$1,317,000 is being requested to reflect increased rental payments for office space and other inflationary adjustments.

PENSION BENEFIT GUARANTY CORPORATION

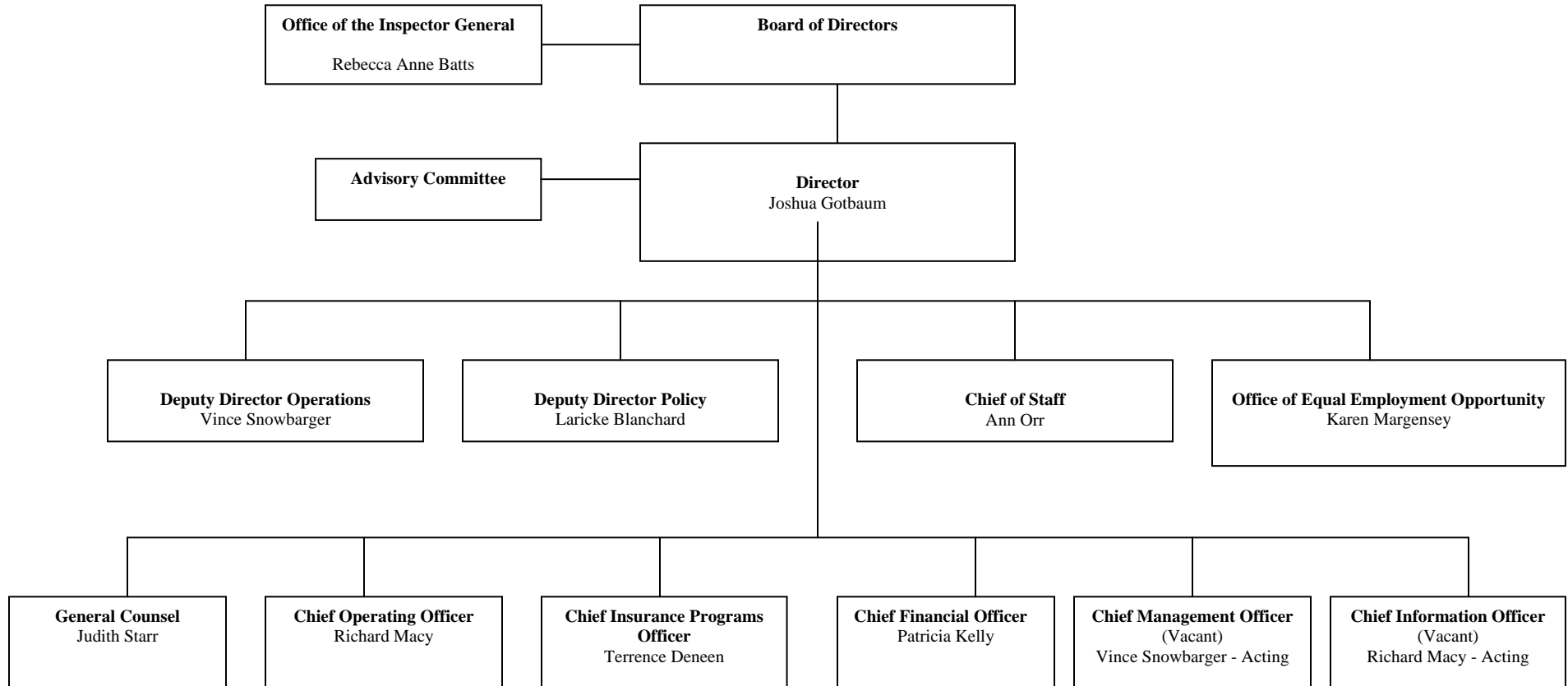
FY 2012 PBGC Budget by Activity
Total = \$476,901
(Dollars in thousands)



Pension Insurance	\$86,023	18%
Pension Plan Termination*	\$243,372	51%
Operational Support	\$147,506	31%
Total	\$476,901	

* Includes \$71,476 for Investment Management Activities

PENSION BENEFIT GUARANTY CORPORATION



PENSION INSURANCE

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Diff. FY 12 Req. / FY 10 Enacted
Budget Authority	86,412	74,506	86,023	-389
FTE	200	198	198	-2

NOTE: FY 2010 reflects actual FTE. Authorized FTE for FY 2010 was 216

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, and 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

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2007	\$80,357	211
2008	\$68,285	211
2009	\$70,590	216
2010	\$86,412	216
2011	\$74,506	198

NOTE: A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

FY 2012

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 prevent unnecessary and avoidable 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

PENSION INSURANCE

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.

In FY 2012 PBGC will: 1) analyze credit, investment, and actuarial risks to the pension insurance programs and build and improve risk models to quantify and measure the impact of these risks to the insurance programs; 2) automate the collection and integration of external and internal information to enhance analyses of pension plans and plan sponsors' financial condition; 3) continue coordination with Treasury and DOL in responding to risks that reach across organizational boundaries; 4) continue vigorous bankruptcy litigation efforts; 5) explore, develop, and implement incentives/settlements to prevent plan sponsor initiated terminations and maximize recoveries; and 6) promulgate regulations that are understandable, flexible, relevant, and not unduly burdensome.

Of note, is the volume and complexity of Insurance Program Office's (IPO) actuarial work, which has increased substantially in the past five years without an increase in the baseline budget for actuarial support. The number of single-employer plan terminations with very large claims increased sharply beginning in 2005, and such cases require complex and sophisticated actuarial analysis to support negotiations and litigation that tend to run for months. IPO actuaries also provide support for the early warning program and other plan preservation efforts, as well as PBGC contingent liabilities for its financial statements. IPO has met these actuarial budget shortfalls through internal re-prioritizing of funds; however, this is not a sound long-term practice because it diminishes other IPO risk mitigation activities. IPO's baseline requirement for actuarial services has increased permanently and an increase of \$2,821,000 in the baseline budget is being requested to meet the requirements of both the single-employer and multiemployer programs.

In the event IPO incurs extraordinary expenses over and above its requested baseline budget, it will seek additional funding under the appropriations law trigger established for such needs. As part of its FY 2012 request, PBGC suggests modifying the trigger language to clarify that extraordinary multiemployer program expenses are covered, as well as extraordinary pre-termination single-employer expenses.

Additionally, PBGC is requesting \$8,696,000 to replace the legacy Premium Accounting System (PAS) with a new Premium and Practitioner System (PPS) to support financial integration and information security and:

- Achieve significant progress in resolving the longstanding Office of Inspector General (OIG) audit finding on financial management systems integration and information security;
- Support government-wide initiatives (including Improved Financial Performance and Expanded Electronic Government) and PBGC's strategic goal on Effective and Efficient stewardship of PBGC resources;
- Improve customer service through centralized solution to manage interactions that provides for transparency in premium data and the plans' status with PBGC, facilitates timely and comprehensive communications, and provides practitioners with broader self service features

PENSION INSURANCE

through the Web (e.g., Request for Reconsideration on billing disputes, updating plan information, stand alone payments, refund status check);

- Improve business processes and upgrade technology that is past its life cycle; decrease high support costs;
- Provide more accurate and timely financial data by modernizing premium filing validations, adjustments and refunds; and,
- Strengthen premium related internal controls to safeguard PBGC assets.

FY 2011

Figures shown for FY 2011 reflect the annualized Continuing Resolution level as a full-year appropriation has not been enacted at the time the budget was produced. Since this level is based on the FY 2010 enacted level, operations under a full-year Continuing Resolution would be consistent with those described in the next paragraphs and in the FY 2010 section.

As the economic recovery slowly takes hold, PBGC expects that the effects of the economic crisis will continue to unfold for insured single-employer and multiemployer pension plans. Thus, the Corporation will continue to work with companies, in bankruptcy and otherwise, to preserve their plans.

In FY 2011, PBGC will also be devoting more resources to the multiemployer insurance program to assist the Board in developing policies and analyzing statutory and regulatory changes necessary to stabilize multiemployer pension plans. PBGC will devote more resources to deal with known increases in financial assistance to insolvent plans, and to scale up multiemployer program activities generally (e.g., audit, plan close-out, risk assessment/contingency classification, legal, and actuarial activities).

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.

FY 2010

In FY 2010, PBGC experienced the impact of the global economic crisis in two ways: many plan sponsors found themselves unable to make contributions to the pension plans they sponsor and many sought protection under the U.S. Bankruptcy code. Likewise, PBGC's efforts to protect pension plans affected by certain corporate downsizing events under ERISA section 4062(e) became more intensive with higher rates of business closures and increased levels of pension underfunding.

PENSION INSURANCE

In FY 2010, PBGC opened 88 new cases for plan sponsors filing for bankruptcy; fewer than the 135 new bankruptcy cases opened in FY 2009 during the peak of the economic crisis, but higher than the 58 cases opened in FY 2008. While many of these bankruptcies resulted in plan terminations, approximately 35 companies emerged from bankruptcy with their defined benefit pension plans ongoing during FY 2010. These plans have underfunding of roughly \$4,000,000,000 and they cover approximately 250,000 participants. The companies include Lear Corporation, LyondellBasell Industries, and Smurfit-Stone Container Corporation.

IPO processed 147 underfunded plan terminations in 2010, as compared to 144 plan terminations in 2009 and 67 plan terminations in FY 2008.

In 2010, IPO opened 129 new ERISA Section 4062(e) (corporate downsizing) cases, an increase of 23% over 2009. During FY 2010, PBGC reached settlements in such cases with 20 companies for approximately \$250,000,000.

As noted above, over the last two years, every activity within the multiemployer program area has increased to record levels. New demands have been added as PBGC implements provisions in the Pension Protection Act of 2006, the Worker Retiree Employer Retirement Act of 2008, and the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010.

PBGC provides financial assistance to insolvent multiemployer plans to enable the plan to pay guaranteed benefits and reasonable administrative expenses. During FY 2010 PBGC provided financial assistance to 50 insolvent plans. However, PBGC expects approximately 40 additional plans will become insolvent and require financial assistance during the four year period FY 2011 – FY 2014. PBGC is devoting additional staff and contract resources to manage the growing volume of financial assistance requests, and the related audit and actuarial requirements.

Another important multiemployer function in need of additional resources is the preparation of the annual contingency list, which is used to prepare PBGC's financial statements. In 2010, IPO reviewed approximately 853 plans for contingency classification (e.g., a probable loss, a reasonably possible loss), up from 500 plans one year earlier. In addition, IPO is using its contract actuaries to support a new financial statement requirement to more frequently update information used to calculate the present value of future financial assistance payments (the multiemployer program liability on PBGC's financial statements).

In 2010, 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. Several other regulations related to PPA are in various stages of development and are expected to be completed in FY 2011 and FY 2012.

PENSION INSURANCE

DETAILED WORKLOAD AND PERFORMANCE				
	FY 2010 Enacted		FY 2011 Full Year C.R.	FY 2012 Request
	Target	Result	Target	Target
Pension Insurance				
Performance Measure				
Unfunded Plan Termination Recommendations	140	147	140 (e)	140 (e)
Financial Assistance Transactions/Requests Processed for Insolvent Multiemployer Plans	250	202	216 (e)	244 (e)
Customer Satisfaction score for premium filers	71	71	72	72
Workload A: (Units)				
New Bankruptcy Filings by Sponsors (or corporate affiliates) of PBGC-covered Plans	100	88	60 (e)	60 (e)
Risk/Loss Mitigation Cases Opened (non-bankruptcy)	400	530	500 (e)	500 (e)
Standard Termination Filings Received for PBGC Review (fully funded plans)	1,300	1,441	1,400 (e)	1,400 (e)
Standard Termination Audits Completed (audits or benefit distributions made to plan participants)	200	223	250 (e)	250 (e)
Workload B: (Dollars)				
Premiums Collected	\$2,587,000.00	\$2,181,000.00	\$2,547,000.00	\$2,904,000.00
Revolving Fund Investment Portfolio	\$15,452,000.00	\$17,391,000.00	\$18,092,000.00	\$18,882,000.00

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 recent 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

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Change FY 12 Req. / FY 10 Enacted
11.1	Full-time permanent	23,603	23,972	23,972	369
11.3	Other than full-time permanent	459	454	454	-5
11.5	Other personnel compensation	882	1,167	1,167	285
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	24,944	25,593	25,593	649
12.1	Civilian personnel benefits	6,036	6,306	6,306	270
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	349	409	409	60
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	107	15	15	-92
24.0	Printing and reproduction	30	30	30	0
25.1	Advisory and assistance services	1,591	1,085	1,085	-506
25.2	Other services	52,636	40,322	51,839	-797
25.3	Other purchases of goods and services from Government Accounts	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	106	132	132	26
31.0	Equipment	36	37	37	1
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	Total	86,412	74,506	86,023	-389
1/Other Purchases of Goods and Services From Government Accounts					
	Services by Other Government Departments	577	577	577	0

PENSION INSURANCE

CHANGES IN FY 2012

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
One day less 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	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 **\$11,517**

Direct FTE **0**

	Estimate	FTE
Base	\$74,506	198
Program Increase	\$11,517	0

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Diff. FY 12 Req. / FY 10 Enacted
Budget Authority	231,205	242,300	243,372	12,167
FTE	339	346	346	7

NOTE: FY 2010 reflects actual FTE. Authorized FTE for FY 2010 was 350

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 trustee plans. This budget activity covers all direct costs related to plan termination and trusteeship, benefits administration 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 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 and audits 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 significant assets that are in transition from newly terminated trustee plans or other special holdings and not 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 the size and composition of assets assumed from terminated pension plans as well as gains or losses in asset value due to fluctuations in the financial markets. In addition, some terminated pension plans may contain alternative assets such as real estate, restricted stock, or derivatives with uncertain value that are difficult to liquidate during volatile market conditions. Specific information about

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

PBGC's investment performance can be found in the PBGC's Annual Report at <http://www.pbgc.gov/about/annreports.html> .

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2007	\$196,567	335
2008	\$214,557	335
2009	\$232,337	340
2010	\$231,205	350
2011	\$242,300	346

NOTE: A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

FY 2012

In FY 2012 the Benefit Administration and Payments Department (BAPD) will continue the benefit determinations process for plans trusted between FY 2009 and FY 2011 including Delphi, Metaldyne, Circuit City and Nortel. 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.

FY 2011

Figures shown for FY 2011 reflect the annualized Continuing Resolution level as a full-year appropriation has not been enacted at the time the budget was produced. Since this level is based on the FY 2010 enacted level, operations under a full-year Continuing Resolution would be consistent with those described in the next paragraphs and in the FY 2010 section.

During FY 2011, BAPD will continue final benefit determinations for several large cases as well as begin the alternatives analysis and IT design efforts necessary to explore a transfer of paying agent responsibilities from a contract service provider to the Treasury Department's Federal Financial Management Service.

Also, BAPD anticipates transferring responsibility for approximately 350,000 pension plan participants, in FY 2011 and continuing into FY 2012, from Field Benefit Administration (FBA) which coordinates the benefit determination process to Post Valuation Administration (PVA) which involves ongoing administration of benefits (putting people in pay status, processing address changes, answering questions, death processing, etc). BAPD expects to complete the benefit determination process for the individuals in plans referred above in the second half of FY 2010 and into FY 2011. The movement of these plans from the FBA sites to the PVA sites will

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

be done in conjunction with BAPD's capacity planning in mind. This volume of pension plan participants will represent a more than 50 percent increase in PVA activities once at the actual PVA sites.

The Financial Operations Department will complete the transition to a new Trust fund accounting system in FY 2011.

During FY 2011, Corporate Investment Division (CID) will complete the transition from 13 external investment managers with 31 mandates to 27 external investment managers with 56 mandates*. This will help reduce the corporation's exposure from misfeasance or malfeasance by any single investment manager to less than 5 percent (currently 2 external investment managers are responsible for approximately 60 percent of trust fund assets).

*"Mandate" means a distinct, separate portfolio with a specific investment strategy carried out by an external investment manager pursuant to a contract with PBGC.

FY 2010

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

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

In FY 2010, PBGC's Board of Directors instructed CID to rebalance the Trust Fund's investment portfolio. CID also initiated procurement actions to expand the number of external investment managers as described above.

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

DETAILED WORKLOAD AND PERFORMANCE				
	FY 2010 Enacted		FY 2011 Full Year C.R.	FY 2012 Request
	Target	Result	Target	Target
Pension Plan Termination and Benefits Administration				
Performance Measure				
Customer Satisfaction score for trustee plan participant callers	80	79	79	79
Customer Satisfaction score for retirees receiving benefits from PBGC	85	87	85	85
Performance Measure				
Average time to complete a plan	3.10	3.82	3.00	3.00
Workload A: Benefit Determinations to be Issued				
Beginning Inventory of Benefits Determinations to be Issued	337,000	337,000	307,000	337,000
Baseline Receipts (New Participants)	100,000	99,000	100,000	100,000
Benefits Determinations Issued	125,000	129,000	70,000	180,000
Ending Inventory	312,000	307,000	337,000	257,000
Workload B: Total Number of Participants (Trusteed Plans)				
Total Participants (Beginning of Year)	1,327,000	1,307,000	1,366,000	1,422,000
New Participants (Receipts)	100,000	99,000	100,000	100,000
Subtotal	1,427,000	1,406,000	1,466,000	1,522,000
Less: Lump Sum Payouts, Misc. Adjustments, and Mortality Projections	40,000	40,000	44,000	46,000
Total Participants (End of Year)	1,387,000	1,366,000	1,422,000	1,476,000

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

Workload Summary

PBGC assumed responsibility for more than 200,000 participants (including 70,000 Delphi, 23,000 Nortel and 11,000 Metaldyne participants) in FY 2009. This workload will continue to be in process during FY 2012. The six Delphi plans in particular will impose a strain on PBGC resources because:

- They are old complex plans that have gone through multiple acquisitions and reorganizations;
- There is very poor data for these plans;
- They will require a larger than normal percentage of benefit reductions leading to a higher than normal appeals rate;
- The GM "top-off" payments promised in a UAW contract results in greater complexity; and
- The plans have very high visibility.

**PENSION PLAN TERMINATION AND BENEFITS
ADMINISTRATION**

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Change FY 12 Req. / FY 10 Enacted
11.1	Full-time permanent	33,799	34,175	34,175	376
11.3	Other than full-time permanent	561	555	555	-6
11.5	Other personnel compensation	1,112	1,422	1,422	310
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	35,472	36,152	36,152	680
12.1	Civilian personnel benefits	8,368	8,912	8,912	544
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	1,092	1,092	1,092	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	3,772	3,809	3,847	75
23.3	Communications, utilities, and miscellaneous charges	4,122	3,791	3,791	-331
24.0	Printing and reproduction	137	137	137	0
25.1	Advisory and assistance services	61,316	71,476	71,476	10,160
25.2	Other services	113,428	114,832	115,866	2,438
25.3	Other purchases of goods and services from Government Accounts	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	371	373	373	2
31.0	Equipment	2,791	1,390	1,390	-1,401
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	Total	231,205	242,300	243,372	12,167
1/Other Purchases of Goods and Services From Government Accounts					
	Services by Other Government Departments	336	336	336	0

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

CHANGES IN FY 2012

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
One day less 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	38
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services	1,034
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 **\$1,072**

Net Program **\$0**

Direct FTE **0**

	Estimate	FTE
Base	\$243,372	346

OPERATIONAL SUPPORT

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Diff. FY 12 Req. / FY 10 Enacted
Budget Authority	146,450	147,261	147,506	1,056
FTE	362	368	368	6

NOTE: FY 2010 reflects actual FTE. Authorized FTE for FY 2010 was 375.

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.

Many 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 for the next several fiscal years. The discovery, during the FY 2009 audit, of a material weakness in the IT internal controls led to an immediate executive focus on developing and implementing a corrective action plan. In addition, pension plans insured by PBGC face unique challenges in the current economy. Increased levels of operational support will be needed to prepare the corporation to respond quickly and effectively to any sudden surge in plan terminations such as occurred in FY 2009.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2007	\$128,466	324
2008	\$128,309	324
2009	\$141,795	372
2010	\$146,450	375
2011	\$147,261	368

FY 2012

During FY 2012 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 conclude in FY 2012 include:

- Architecting all corporate processes to provide a foundation for future DME projects;
- Implementation of IT structures necessary to support corrective action planned to address material weaknesses in financial systems; and

OPERATIONAL SUPPORT

- Modernization of several financial systems software packages.
- DME efforts PBGC expects to continue (not conclude) in FY 2012 include:
- 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 2012, PBGC will continue employee support activities initiated in prior fiscal years. These include:

- Implementation of Homeland Security Policy Directive 12 (HSPD-12) to enhance physical security and afford interoperability with other agencies;
- Implementation of the Employee Satisfaction Plan prepared in FY 2010;
- Wellness programs initiated in FY 2010; and
- Human Resources programs initiated in FY 2010 to implement the Human Capital Strategic Plan and improve PBGC's hiring process.

FY 2011

Figures shown for FY 2011 reflect the annualized Continuing Resolution level as a full-year appropriation has not been enacted at the time the budget was produced. Since this level is based on the FY 2010 enacted level, operations under a full-year Continuing Resolution would be consistent with those described in the next paragraphs and in the FY 2010 section.

In FY 2011, PBGC will concentrate on implementing a wide variety of action plans (many focused on corrective action plans in the IT area) developed in FY 2010. The bulk of this work will extend throughout FY 2011. The Communications and Public Affairs Department will complete several initiatives undertaken in FY 2010 including redesign of the Corporation's web site and transitioning from monthly publication of an employee newsletter to daily posting of news and features about PBGC.

Also, the Strategic Planning and Evaluation Division (SPED) is updating corporate planning and performance evaluation activities to reflect expectations outlined in the GPRA Modernization Act of 2010; including clear alignment of performance measures and activities with corporate priorities; routine constructive conversations to monitor progress in performance; and strategic continuous improvements in program operations.

OPERATIONAL SUPPORT

FY 2010

During FY 2010, PBGC developed action plans that will guide the corporation's Operational Support and other activities for the next several fiscal years. SPED updated the FY 2011 to FY 2016 Strategic Plan. Several departments and divisions within PBGC completed process architectures with assistance from the Office of Information Technology. The Chief Financial Officer and the Acting Chief Information Officer led a joint effort that developed and began implementation of a corrective action plan to address material weaknesses in financial systems. The Human Resources Department completed a position description review of all PDs within PBGC and developed both a Human Capital Strategic Plan and an Employee Satisfaction Action Plan. The Facilities and Services Department revised agency and departmental COOP plans and also replaced all network copiers/printers/scanners with multifunctional devices. The Policies, Procedures and Control Division (PPCD) within the Financial Operations Division (FOD) initiated an IT security program for major financial systems including the Core Financial Systems (CFS).

OPERATIONAL SUPPORT

DETAILED WORKLOAD AND PERFORMANCE				
	FY 2010 Enacted		FY 2011 Full Year C.R.	FY 2012 Request
	Target	Result	Target	Target
Operational Support				
Workload A: (Units)				
Service Desk Calls	75,000	51,688	60,000	60,000
Problem Tickets	47,500	28,870	30,000	20,000
Servers Supported	600	525	450	400
Software Releases	200	451	200	240
Data Storage (GB)	190,000	250,000	250,000	250,000
Network Communication Equipment	233	233	233	240

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

Workload Summary

The outputs in the IT Workload Summary Table above represent the volume of PBGC's IT Infrastructure that provides computer networking, database for corporate applications, telecommunications and general support systems for more than 2,300 PBGC federal and contract staff located at the headquarters buildings and 19 other locations, including the Field Benefit Administration and Post Valuation sites. PBGC has taken several actions to improve system resiliency by moving most of its data onto a Corporate Storage Area Network, completing the Common Development Environment, which increased the quality of both systems and infrastructure deployed into production, and decreasing the number of software releases resulting from improvements in Change Control Management.

OPERATIONAL SUPPORT

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Change FY 12 Req. / FY 10 Enacted
11.1	Full-time permanent	40,893	41,245	41,245	352
11.3	Other than full-time permanent	561	555	555	-6
11.5	Other personnel compensation	1,416	1,430	1,430	14
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	42,870	43,230	43,230	360
12.1	Civilian personnel benefits	12,178	12,178	12,178	0
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	483	518	518	35
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	24,312	24,508	24,753	441
23.3	Communications, utilities, and miscellaneous charges	1,991	2,015	2,015	24
24.0	Printing and reproduction	319	176	176	-143
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services	54,524	54,790	54,790	266
25.3	Other purchases of goods and services from Government Accounts	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	2,259	2,346	2,346	87
31.0	Equipment	6,933	6,919	6,919	-14
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	Total	146,450	147,261	147,506	1,056
	1/Other Purchases of Goods and Services From Government Accounts				
	Services by Other Government Departments	580	580	580	0

OPERATIONAL SUPPORT

CHANGES IN FY 2012

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
One day less 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	245
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 **\$245**

Net Program **\$0**

Direct FTE **0**

	Estimate	FTE
Base	\$147,506	368

OFFICE OF INSPECTOR GENERAL

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Diff. FY 12 Req. / FY 10 Enacted
Budget Authority	5,745	5,965	5,965	220
FTE	20	24	24	4

NOTE: FY 2010 reflects actual FTE. Authorized FTE for FY 2010 was 24.

PBGC management is including the budget request for the Office of the Inspector General (OIG) as received without comment. The OIG budget is part of the Operational Support Activity.

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 \$6,237,000;
- Of that amount, \$70,724 is requested for training

The Inspector General certifies that \$70,724 would satisfy the OIG training requirements for FY 2012.

Five-Year Program Category History

Fiscal Year	Funding (Dollars in Thousands)	FTE
2007	\$4,488	22
2008	\$4,601	22
2009	\$4,691	22
2010	\$5,745	24
2011	\$5,965	24

NOTE: A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

PERFORMANCE MEASURES

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

In FY 2010, the OIG established the above performance measures and began implementing systems to track our accomplishment of the targets. Because FY 2011 will be our first full year of tracking, the established target numbers may need to be revised, based on what we learn in the first year of implementation.

OFFICE OF INSPECTOR GENERAL

FY 2012

- 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 a material weakness in PBGC's system of internal controls, as reported in the FY 2009 financial statement audit. PBGC has developed 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). The majority of these corrective action plans are scheduled to begin in either FY 2011 or FY 2012 and continue for 18-24 months after their start dates. Each plan has four components: (1) process design/redesign, (2) technology implementation, (3) staffing, and (4) integration. 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. Our continuing communication with PBGC about new systems in development will permit our early review.
- 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 2012, 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 a large number of whistleblower complaints and Congressional requests for audits, reviews, and investigations.

FY 2011

Figures shown for FY 2011 reflect the annualized Continuing Resolution level as a full-year appropriation has not been enacted at the time the budget was produced. Since this level is based on the FY 2010 enacted level, operations under a full-year Continuing Resolution would be consistent with those described in the next paragraphs and in the FY 2010 section.

- During FY 2009 and FY 2010, OIG audits and other reviews identified serious IT weaknesses that PBGC estimates will require several years to correct. Because these previously identified weaknesses 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 2011 will be the security and stability of systems in the "as is" state while changes are being planned and initiated.
- As PBGC has significant assets to invest (more than \$70,000,000,000 as of September 30, 2010), we will devote substantial resources to the monitoring and review of PBGC's investment policy and practices. Planned reviews include audits of PBGC's oversight of its investment program, including its written policies and procedures, and of PBGC's

OFFICE OF INSPECTOR GENERAL

monitoring of contract investment advisors.

- During FY 2011, 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 PBGC is getting the people and services it is paying for and whether labor-hour contracts are well-managed. Prior audit work has shown significant and persistent weaknesses in PBGC's management of its contracting processes.
- During FY 2011, we will continue working with PBGC to ensure appropriate corrective actions. As of September 30, 2010, more than 170 audit recommendations remain open.
- 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 adverse opinion on internal controls reported in the FY 2009 financial statements audit, that work will likely require increased attention from OIG management throughout the course of the review.
- Early in FY 2011, we completed an evaluation for Senator Herb Kohl, Chairman of the Senate Special committee on Aging, who requested we evaluate PBGC's preparedness to handle a potential influx of terminated pension plans and plan participants. We found PBGC should take a more strategic approach in assessing its preparedness for a possible influx and should ensure the feasibility of plans and develop tactics to address the increased workload.

FY 2010

Completed and ongoing activities during FY 2010 included:

- **Financial statement audit.** We issued 4 audit reports related to the audit of PBGC's financial statements for FY 2009, including the 17th 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) template report filed 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 responding to a whistleblower complaint about a possible failure to protect personally-identifiable information and a report summarizing PBGC's authorizations to operate. Further, we will continue to follow-up on the significant weaknesses in the certification and accreditation of PBGC's major systems

OFFICE OF INSPECTOR GENERAL

and will initiate new audit work to follow-up on other identified IT weaknesses.

- **Open audit recommendations.** As of June 1, 2010, PBGC had a historically high number of open and uncompleted audit recommendations. We focused significant OIG management resources on meeting with PBGC officials to review proposed corrective actions, providing assistance in developing strategies to evaluate the effectiveness of implemented recommendations, and prioritizing OIG's activities with respect to the most high risk and oldest recommendations.
- **Investment Activity Review.** We continued to monitor PBGC's actions in managing its investments, including working closely with PBGC's Corporate Investment Department as it works to address our recommendations to establish policy and procedures to manage the securities lending program. These recommendations included developing a method to gain assurance that revenues earned through the securities lending program were properly calculated and establishing independent benchmarks for monitoring of securities lending activities.
- **Review of Minnesota Steelworker pension plans.** As requested by Senators Klobuchar and Franken and Representative Oberstar, we are reviewing PBGC's actions in terminating and establishing the benefits of Minnesota steelworker pension plans.

OFFICE OF INSPECTOR GENERAL

BUDGET ACTIVITY COMPONENT BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Change FY 12 Req. / FY 10 Enacted
11.1	Full-time permanent	2,736	2,848	2,848	112
11.3	Other than full-time permanent	31	31	31	0
11.5	Other personnel compensation	92	92	92	0
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	2,859	2,971	2,971	112
12.1	Civilian personnel benefits	694	728	728	34
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	18	18	18	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	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	2,117	2,191	2,191	74
25.3	Other purchases of goods and services from Government Accounts	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
	Total	5,745	5,965	5,965	220
1/Other Purchases of Goods and Services From Government Accounts					

OFFICE OF INSPECTOR GENERAL

CHANGES IN FY 2012

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments		\$0
Personnel benefits		0
One day less 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		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 **\$0**

Direct FTE **0**

	Estimate	FTE
Base	\$5,965	24

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Diff. FY 12 Req. / FY 10 Enacted
Budget Authority	5,823,000	6,009,000	6,688,000	865,000
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 28,000 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 recoveries from the plan's sponsor. PBGC then calculates the actual benefit payable to each participant according to the specific terms of the participant's plan as applied to that participant's unique work history, statutory guarantee levels, and the funds available from plan assets and employer recoveries. Unlike other federal agencies with responsibility for retirement calculations (e.g., 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

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2007	\$4,797,000	0
2008	\$4,500,000	0
2009	\$4,722,000	0
2010	\$5,823,000	0
2011	\$6,009,000	0

NOTE: A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

FY 2012

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

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

FY 2011

PBGC's outlays for Single-Employer Program Benefit Payments in FY 2011 will be determined by the Corporation's obligations under ERISA.

FY 2010

PBGC's outlays for Single-Employer Program Benefit Payments in FY 2010 were \$5,823,000,000 as determined by the Corporation's obligations under ERISA.

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

DETAILED WORKLOAD AND PERFORMANCE				
	FY 2010 Enacted		FY 2011 Full Year C.R.	FY 2012 Request
	Target	Result	Target	Target
Single Employer Program Benefit Payments				
Workload Indicator: Number of Plans				
Retirees receiving monthly benefit checks	715,572	747,530	792,382 (e)	839,925 (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, which could cause the number of retirees receiving checks to increase by more than 6 percent in FY 2011 and again in FY 2012.

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Change FY 12 Req. / FY 10 Enacted
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	Total personnel compensation	0	0	0	0
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	0	0	0	0
25.3	Other purchases of goods and services from Government Accounts	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	5,823,000	6,009,000	6,688,000	865,000
	Total	5,823,000	6,009,000	6,688,000	865,000
	1/Other Purchases of Goods and Services From Government Accounts				

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

CHANGES IN FY 2012

(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 **\$679,000**

Direct FTE **0**

	Estimate	FTE
Base	\$6,009,000	0
Program Increase	\$679,000	0

MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Diff. FY 12 Req. / FY 10 Enacted
Budget Authority	101,000	131,000	123,000	22,000
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 more than 1,500 insured plans. Funded and administered separately from the single-employer program, the multiemployer program differs in that PBGC steps in to guarantee 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

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2007	\$93,000	0
2008	\$106,000	0
2009	\$97,000	0
2010	\$101,000	0
2011	\$131,000	0

NOTE: A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

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 will be determined by the Corporation's obligations under ERISA.

FY 2010

PBGC's outlays for Multiemployer Program Financial Assistance in FY 2010 were \$101,000,000 as determined by the Corporation's obligations under ERISA.

MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

DETAILED WORKLOAD AND PERFORMANCE				
	FY 2010 Enacted		FY 2011 Full Year C.R.	FY 2012 Request
	Target	Result	Target	Target
Multi-Employer Program Financial Assistance				
Workload: Number of Plans				
Multiemployer plans receiving financial assistance	49 (e)	50	53 (e)	60 (e)

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

Workload Summary

Nine new plans are projected to begin receiving financial assistance from PBGC in FY2011 and seven new plans are projected for FY2012. Plans receiving financial assistance for the first time are added to the total number of plans receiving financial assistance and small plans that are closed out are subtracted from the total.

MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		FY 2010 Enacted	FY 2011 Full Year C.R.	FY 2012 Request	Change FY 12 Req. / FY 10 Enacted
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	Total personnel compensation	0	0	0	0
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	0	0	0	0
25.3	Other purchases of goods and services from Government Accounts	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	101,000	131,000	123,000	22,000
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	Total	101,000	131,000	123,000	22,000
	1/Other Purchases of Goods and Services From Government Accounts				

MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

CHANGES IN FY 2012

(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	-\$8,000
Direct FTE	0

	Estimate	FTE
Base	\$131,000	0
Program Decrease	-\$8,000	0