

**FY 2014**

**CONGRESSIONAL BUDGET JUSTIFICATION**

**PENSION BENEFIT GUARANTY CORPORATION**



# PENSION BENEFIT GUARANTY CORPORATION

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# 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 31U.S.C. 9104, as may be necessary in carrying out the program, including associated administrative expenses, through September 30, 2014, for the Corporation: Provided, That none of the funds available to the Corporation for fiscal year 2014 shall be available for obligations for administrative expenses in excess of \$505,441,000: 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 2014, an amount not to exceed an additional \$9,200,000 shall be available through September 30, 2015, for obligation for administrative expenses for every 20,000 additional terminated participants: Provided further, That additional funds shall be available for obligation for investment management fees incurred in carrying out the Corporation's Board-approved Investment Policy, 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 pretermination 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

## EXPLANATION OF LANGUAGE CHANGE

### 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, 2014, for the Corporation: Provided, That none of the funds available to the Corporation for fiscal year 2014 shall be available for obligations for administrative expenses in excess of \$505,441,000: 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 2014, an amount not to exceed an additional \$9,200,000 shall be available through September 30, 2015, for obligation for administrative expenses for every 20,000 additional terminated participants: Provided further, That [an] additional[ \$50,000] *funds* shall be [made] available [through September 30, 2013]for obligation for investment management fees [for every \$25,000,000] *incurred* in [assets received by] *carrying out* the [Corporation as a result of new plan terminations or asset growth] *Corporation's Board-approved Investment Policy*, 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 pretermination 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.

### Explanation of Change

That [an] additional [\$50,000] *funds* shall be [made] available [through September 30, 2013] for obligation for investment management fees [for every \$25,000,000] *incurred* in [assets received by] *carrying out* the [Corporation as a result of new plan terminations or asset growth] *Corporation's Board-approved Investment Policy*, after approval by the Office of Management and Budget and notification of the Committees on Appropriations of the House of Representatives and the Senate

Revised Section provides flexibility needed to more effectively implement PBGC's approved investment policy by clarifying the availability of funds to support investment management contracts.

# PENSION BENEFIT GUARANTY CORPORATION

## ANALYSIS OF APPROPRIATION LANGUAGE

### LANGUAGE PROVISION

That [an] additional[ \$50,000] *funds* shall be [made] available [through September 30, 2013]for obligation for investment management fees [for every \$25,000,000] *incurred* in [assets received by] *carrying out* the [Corporation as a result of new plan terminations or asset growth] *Corporation's Board-approved Investment Policy*, after approval by the Office of Management and Budget and notification of the Committees on Appropriations of the House of Representatives and the Senate

### EXPLANATION

*Amends "trigger" language related to investment management fees from a formula based on growth of assets under management to an amount determined by investment management fees incurred.*

## PENSION BENEFIT GUARANTY CORPORATION

<b>AMOUNTS AVAILABLE FOR OBLIGATION</b>						
(Dollars in Thousands)						
	<b>FY 2012 Revised Enacted</b>		<b>FY 2013 Full Year C.R.</b>		<b>FY 2014 Request</b>	
	<b>FTE</b>	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>
<b>A. Appropriation</b>						
Administrative Activities						
Pension Insurance Operations	210	\$87,532	230	\$74,078	230	\$80,000
Pension Plan Termination	336	\$238,128	350	\$239,878	350	\$268,230
Operational Support	410	\$151,241	437	\$165,864	438	\$157,211
Total Administrative Activities	956	\$476,901	1,017	\$479,820	1,018	\$505,441
Program Activities						
Single-Employer Program Benefit Payments	0	\$6,011,000	0	\$5,634,000	0	\$6,358,000
Multiemployer Program Financial Assistance	0	\$123,000	0	\$118,000	0	\$115,000
Total Program Activities	0	\$6,134,000	0	\$5,752,000	0	\$6,473,000
Total Program and Administrative Activities	956	\$6,610,901	1,017	\$6,231,820	1,018	\$6,978,441
Offsetting Collections From:						
Interest on Federal Securities	0	\$734,000	0	\$656,000	0	\$705,000
Premium Receipts	0	\$2,191,000	0	\$3,289,000	0	\$3,617,000
Benefit Payment Reimbursements	0	\$2,853,000	0	\$3,020,000	0	\$3,780,000
Trust Fund for Administrative Expenses <sup>1</sup>	0	\$463,000	0	\$465,000	0	\$490,000
<i>Subtotal, Offsetting Collections From</i>	<i>0</i>	<i>\$6,241,000</i>	<i>0</i>	<i>\$7,430,000</i>	<i>0</i>	<i>\$8,592,000</i>
<b>B. Gross Budget Authority</b>	<b>956</b>	<b>\$12,851,901</b>	<b>1,017</b>	<b>\$13,661,820</b>	<b>1,018</b>	<b>\$15,570,441</b>
Offsetting Collections To:						
Interest on Federal Securities	0	-\$734,000	0	-\$656,000	0	-\$705,000
Premium Receipts	0	-\$2,191,000	0	-\$3,289,000	0	-\$3,617,000
Benefits Payment Reimbursements	0	-\$2,853,000	0	-\$3,020,000	0	-\$3,780,000
Administrative Expenses	0	-\$463,000	0	-\$465,000	0	-\$490,000
<i>Subtotal, Offsetting Collections To</i>	<i>0</i>	<i>-\$6,241,000</i>	<i>0</i>	<i>-\$7,430,000</i>	<i>0</i>	<i>-\$8,592,000</i>
<b>C. Obligating Authority Before Committee</b>	<b>956</b>	<b>\$476,901</b>	<b>1,017</b>	<b>\$479,820</b>	<b>1,018</b>	<b>\$505,441</b>
<b>D. Total Budgetary Resource</b>	<b>956</b>	<b>\$6,610,901</b>	<b>1,017</b>	<b>\$6,231,820</b>	<b>1,018</b>	<b>\$6,978,441</b>
Unobligated Balance Expiring	0	\$0	0	\$0	0	\$0

## PENSION BENEFIT GUARANTY CORPORATION

<b>E. Total, Estimated Obligations<sup>2</sup></b>	<b>956</b>	<b>\$6,610,901</b>	<b>1,017</b>	<b>\$6,231,820</b>	<b>1,018</b>	<b>\$6,978,441</b>
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<sup>1</sup> During FY 2010, the assets of the multiemployer trust funds were depleted. Thus, the single-employer trust funds are the only remaining source of trust fund reimbursements to the revolving funds to cover administrative expenses. The single-employer and multiemployer insurance programs are, by law, operated and financed separately. The assets from one program cannot be used to support the other. As a result of the depletion of the multiemployer trust funds, approximately 97% of PBGC's total FY 2012 administrative expenses are reimbursed. This result also reflects the impact of revisions to PBGC's administrative expenses allocation methodology adopted in FY 2010. The portion that is not reimbursed represents an outlay in the Federal Budget.

<sup>2</sup> FY 2012 reflects actual FTE.

# PENSION BENEFIT GUARANTY CORPORATION

## SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2012 Revised Enacted	FY 2014 Request	Net Change
<b>Obligational Authority</b>			
Program Activities	\$6,134,000	\$6,473,000	+\$339,000
Administrative Activities	\$476,901	\$505,441	+\$28,540
<b>Total</b>	<b>\$6,610,901</b>	<b>\$6,978,441</b>	<b>+\$367,540</b>
<b>Full Time Equivalents</b>			
Program Activities	0	0	0
Administrative Activities	956	1,018	62
<b>Total</b>	<b>956</b>	<b>1,018</b>	<b>62</b>

Explanation of Change	FY 2012 Base		Trust Funds		FY 2014 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Increases:</b>								
<b>A. Built-Ins:</b>								
To Provide For:								
Costs of pay adjustments	956	\$107,728	0	\$842	0	\$0	0	\$842
Personnel benefits	0	\$30,479	0	\$232	0	\$0	0	\$232
One day more of pay	0	\$0	0	\$0	0	\$0	0	\$0
Benefits for former personnel	0	\$0	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$1,818	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$1	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to others	0	\$28,590	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$5,785	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$343	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$72,561	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$218,427	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$0	0	\$0	0	\$0	0	\$0
Other goods and services from Federal sources	0	\$1,493	0	\$0	0	\$0	0	\$0
Research & Development Contracts	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of facilities	0	\$0	0	\$0	0	\$0	0	\$0
Operation and maintenance of equipment	0	\$0	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$2,831	0	\$0	0	\$0	0	\$0
Equipment	0	\$6,845	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$6,011,000	0	\$0	0	\$0	0	\$0
Investment and Loans	0	\$123,000	0	\$0	0	\$0	0	\$0

## PENSION BENEFIT GUARANTY CORPORATION

Explanation of Change	FY 2012 Base		Trust Funds		FY 2014 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Built-Ins Subtotal</b>	<b>956</b>	<b>+\$6,610,901</b>	<b>0</b>	<b>+\$1,074</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>+\$1,074</b>
<b>B. Programs:</b>								
Benefit Payments	0	\$6,011,000	0	\$0	0	\$347,000	0	\$347,000
Investment Management Activities	0	\$71,476	0	\$23,000	0	\$0	0	\$23,000
Ensure Accurate Benefit Payments Activity and Object Class	0	\$0	0	\$8,500	0	\$0	0	\$8,500
Restructuring	0	\$0	0	\$5,321	0	\$0	0	\$5,321
Restructure the Multiemployer Program	0	\$0	0	\$4,500	0	\$0	0	\$4,500
OIG FTEs	0	\$0	3	\$162	0	\$0	3	\$162
FY12 Correction to Authorization	0	\$0	43	\$0	0	\$0	43	\$0
Contractor to FTE Conversion	0	\$0	16	\$0	0	\$0	16	\$0
<b>Programs Subtotal</b>			<b>62</b>	<b>+\$41,483</b>	<b>0</b>	<b>+\$347,000</b>	<b>62</b>	<b>+\$388,483</b>
<b>Total Increase</b>	<b>956</b>	<b>+\$6,610,901</b>	<b>62</b>	<b>+\$42,557</b>	<b>0</b>	<b>+\$347,000</b>	<b>62</b>	<b>+\$389,557</b>
<b>Decreases:</b>								
<b>A. Built-Ins:</b>								
To Provide For:								
<b>Built-Ins Subtotal</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>
<b>B. Programs:</b>								
Decrease PPS one time	0	\$0	0	-\$8,696	0	\$0	0	-\$8,696
Financial Assistance	0	\$123,000	0	\$0	0	-\$8,000	0	-\$8,000
Activity and Object Class								
Restructuring	0	\$0	0	-\$5,321	0	\$0	0	-\$5,321
<b>Programs Subtotal</b>			<b>0</b>	<b>-\$14,017</b>	<b>0</b>	<b>-\$8,000</b>	<b>0</b>	<b>-\$22,017</b>
<b>Total Decrease</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$14,017</b>	<b>0</b>	<b>-\$8,000</b>	<b>0</b>	<b>-\$22,017</b>
<b>Total Change</b>	<b>956</b>	<b>+\$6,610,901</b>	<b>62</b>	<b>+\$28,540</b>	<b>0</b>	<b>+\$339,000</b>	<b>62</b>	<b>+\$367,540</b>

NOTE: The FTE change is only 19 vs. the 62 shown when measured against the authorized level from FY 2012. FY 2014 FTE level includes an increase in FTE based on object class conversions to fund federal FTEs from other services and supplies lines.

## PENSION BENEFIT GUARANTY CORPORATION

<b>SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY</b>								
(Dollars in Thousands)								
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014 Request		Diff. FY 14 Request / FY 12 Rev. Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Pension Insurance</b>	<b>210</b>	<b>87,532</b>	<b>230</b>	<b>74,078</b>	<b>230</b>	<b>80,000</b>	<b>20</b>	<b>-7,532</b>
Administrative	210	87,532	230	74,078	230	80,000	20	-7,532
<b>Pension Plan Termination and Benefits Administration</b>	<b>336</b>	<b>238,128</b>	<b>350</b>	<b>239,878</b>	<b>350</b>	<b>268,230</b>	<b>14</b>	<b>30,102</b>
Administrative	336	238,128	350	239,878	350	268,230	14	30,102
<b>Operational Support</b>	<b>410</b>	<b>151,241</b>	<b>437</b>	<b>165,864</b>	<b>438</b>	<b>157,211</b>	<b>28</b>	<b>5,970</b>
Administrative	410	151,241	437	165,864	438	157,211	28	5,970
<b>Office of Inspector General - Non-Add</b>	<b>22</b>	<b>5,965</b>	<b>26</b>	<b>5,965</b>	<b>27</b>	<b>6,127</b>	<b>5</b>	<b>162</b>
Administrative	22	5,965	26	5,965	27	6,127	5	162
<b>Single Employer Program Benefit Payments</b>	<b>0</b>	<b>6,011,000</b>	<b>0</b>	<b>5,634,000</b>	<b>0</b>	<b>6,358,000</b>	<b>0</b>	<b>347,000</b>
Program	0	6,011,000	0	5,634,000	0	6,358,000	0	347,000
<b>Multi-Employer Program Financial Assistance</b>	<b>0</b>	<b>123,000</b>	<b>0</b>	<b>118,000</b>	<b>0</b>	<b>115,000</b>	<b>0</b>	<b>-8,000</b>
Program	0	123,000	0	118,000	0	115,000	0	-8,000
<b>Operational Support - Non Exempt Portion</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## PENSION BENEFIT GUARANTY CORPORATION

<b>SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY</b>								
(Dollars in Thousands)								
	FY 2012 Revised Enacted		FY 2013 Full Year C.R.		FY 2014 Request		Diff. FY 14 Request / FY 12 Rev. Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Office of Inspector General - Non-Add - Non Exempt Portion</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>956</b>	<b>6,610,901</b>	<b>1,017</b>	<b>6,231,820</b>	<b>1,018</b>	<b>6,978,441</b>	<b>62</b>	<b>367,540</b>
<b>Program</b>	<b>0</b>	<b>6,134,000</b>	<b>0</b>	<b>5,752,000</b>	<b>0</b>	<b>6,473,000</b>	<b>0</b>	<b>339,000</b>
<b>Administrative</b>	<b>956</b>	<b>476,901</b>	<b>1,017</b>	<b>479,820</b>	<b>1,018</b>	<b>505,441</b>	<b>62</b>	<b>28,540</b>

NOTE: FY 2012 reflects actual FTE.

## PENSION BENEFIT GUARANTY CORPORATION

<b>BUDGET AUTHORITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY14 Request / FY 12 Rev. Enacted</b>
	Full-Time Equivalent				
	Full-time Permanent	927	987	988	61
	Other	29	30	30	1
	<b>Total</b>	<b>956</b>	<b>1,017</b>	<b>1,018</b>	<b>62</b>
	Average ES Salary	\$166,158	\$166,158	\$167,820	\$1,662
	Average GM/GS Grade	12	12	12	0
	Average GM/GS Salary	\$95,397	\$95,397	\$96,351	\$954
	Average Salary of Ungraded Positions	0	0	0	0
11.1	Full-time permanent	102,906	112,181	114,220	11,314
11.3	Other than full-time permanent	1,564	1,564	1,564	0
11.5	Other personnel compensation	3,258	4,002	4,005	747
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>107,728</b>	<b>117,747</b>	<b>119,789</b>	<b>12,061</b>
12.1	Civilian personnel benefits	30,479	32,345	32,842	2,363
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	1,818	1,842	1,859	41
22.0	Transportation of things	1	1	1	0
23.0	Rent, Communications, and Utilities	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	28,590	28,572	28,637	47
23.3	Communications, utilities, and miscellaneous charges	5,785	5,747	5,789	4
24.0	Printing and reproduction	343	353	343	0
25.1	Advisory and assistance services	72,561	86,255	95,476	22,915
25.2	Other services from non-Federal sources	218,427	194,774	205,941	-12,486
25.3	Other goods and services from Federal sources 1/	1,493	1,493	4,100	2,607
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	2,831	2,828	2,798	-33
31.0	Equipment	6,845	7,863	7,866	1,021
33.0	Investments and Loans	123,000	118,000	115,000	-8,000
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	6,011,000	5,634,000	6,358,000	347,000
	<b>Total</b>	<b>6,610,901</b>	<b>6,231,820</b>	<b>6,978,441</b>	<b>367,540</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	1,493	1,493	4,100	2,607

NOTE: The FTE change is only 19 vs. the 62 shown when measured against the authorized level from FY 2012. FY 2014 FTE level includes an increase in FTE based on object class conversions to fund federal FTEs from other services and supplies lines.

# PENSION BENEFIT GUARANTY CORPORATION

## AUTHORIZING STATUTES

<b>Public Law / Act</b>	<b>Legislation</b>	<b>Statute No. / US Code</b>	<b>Volume No.</b>	<b>Page No.</b>	<b>Expiration Date</b>
P.L. 93-406	Title IV of the Employee Retirement Income Security Act of 1974 (ERISA) (1976)	29 U.S.C.	1301, et seq.		Not Applicable
P.L. 96-364	Multiemployer Pension Plan Amendments Act of 1980 (September 26, 1980)	94 Stat.	1208		Not Applicable
P.L. 99-272	Single Employer Pension Plan Amendments Act of 1986 (SEPPA) (April 7, 1986)	100 Stat.	82		Not Applicable
P.L. 100-203	Pension Protection Act (PPA) (December 22, 1987)	101 Stat.	1330		Not Applicable
P.L. 103-465	Retirement Protection Act (December 24, 1994)	108 Stat.	4890		Not Applicable
P.L. 109-280	Pension Protection Act of 2006 (August 17, 2006)	120 Stat.	780		Not Applicable
P.L. 109-171	Deficit Reduction Act (DRA) of 2005 (February 8, 2006)	120 Stat.	182		Not Applicable
P.L. 95-452	Inspector General Act (October 12, 1978)	5 U.S.C.	1101		Not Applicable
P.L. 100-504	Inspector General Act Amendments of 1988 (October 18, 1988)	102 Stat.	2515		Not Applicable
P.L. 110-409	Inspector General Reform Act (October 14, 2008)	122 Stat.	4302		Not Applicable
P.L. 112-141	Moving Ahead for Progress in the 21st Century Act. (July 6, 2012)	Not yet Codified	Not yet Codified		Not Applicable

## PENSION BENEFIT GUARANTY CORPORATION

<b>APPROPRIATION HISTORY</b>					
(Dollars in Thousands)					
	<b>Budget Estimates to Congress</b>	<b>House Allowance</b>	<b>Senate Allowance</b>	<b>Appropriations</b>	<b>FTE</b>
2004...1/	228,772	228,772	228,772	293,914	806
2005...2/	266,330	266,330	266,330	350,556	851
2006...3/	296,978	296,978	296,978	385,647	870
2007...4/	397,645	397,645	397,645	405,391	870
2008	411,151	411,151	411,151	411,151	870
2009...5/	444,722	444,722	444,722	444,722	928
2010	464,067	464,067	464,067	464,067	941
2011...6/	466,301	0	0	464,067	941
2012...7/	476,901	476,901	476,901	476,901	956
2013	479,820	0	0	0	1,017
2014	505,441	0	0	0	1,018

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

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

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

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

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

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

7/ FY 2012 reflects actual FTE.

# PENSION BENEFIT GUARANTY CORPORATION

## Overview

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) is a federal corporation established under the Employee Retirement Income Security Act of 1974 (ERISA), as amended. It guarantees payment of basic pension benefits earned by nearly 43 million of America's workers and retirees participating in nearly 26,000 private-sector defined benefit pension plans. The Corporation receives no funds from general tax revenues. Operations are financed by insurance premiums paid by companies that sponsor defined benefit pension plans, investment income, and assets from terminated plans.

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

### FY 2014 Budget Highlights

PBGC is requesting \$505,441,000 in spending authority for administrative purposes in FY 2014. The increase from FY 2012 supports increasing costs for investment management activities and the multiemployer program, as well as improving the benefit payment and processing function.

The FY 2014 Budget proposes to give the PBGC Board the authority, beginning in 2015, to make future premium rate adjustments that take into account the risks that different sponsors pose to their retirees and PBGC. The Budget requires the Board to undertake a one-year study and public comment period, as well as a gradual phase-in of any increases. This proposal will both encourage companies to fully fund their pension benefits and ensure the agency's continued financial soundness.

PBGC is currently benchmarking its investment management practices against those of other large pension and/or trust fund administrators. This process may lead to modifications in FY 2015 on how PBGC accounts for investment management activities to bring PBGC more in line with standard investment industry practices. To facilitate this process, the Administration is also proposing a modification to the PBGC appropriation's language to make it easier for the Corporation to implement its Board-approved Investment Policy.

### Continued Exponential Growth of PBGC Responsibilities

In FY 1994 PBGC was trustee for 2,094 terminated pension plans, paid \$763,000,000 in benefits to about 182,000 people, was responsible for pension trust funds with just over \$8,500,000,000 in assets under management and had administrative outlays of \$124,000,000 (not including investment management fees). Twenty years later in FY 2014, PBGC will be trustee for more than 4,500 terminated plans (114% increase), pay in excess of \$6,000,000,000 in benefits (686% increase) to more than 873,000 retirees (380% increase), will be responsible for pension trust funds with about \$80,000,000,000 in assets under management (841% increase). Large pension plan terminations including United Airlines, National Steel, Bethlehem Steel, and Delphi Auto

## PENSION BENEFIT GUARANTY CORPORATION

parts have propelled PBGC to the very forefront of the pension plan industry as the only government or private sector organization which both provides pension insurance and ongoing monthly benefits payments to retirees. Consequently, the growth of PBGC's responsibilities over the past 20 years has been much greater than originally anticipated.

The exponential growth of PBGC's fiscal responsibilities has not been without growing pains. Multiple reports by stakeholders with oversight responsibilities have identified instances where PBGC's administrative capabilities have failed to keep pace with the increasing workload and financial standards. The General Accountability Office (GAO), Congressional Oversight Committees, nongovernmental organizations and PBGC's own Inspector General have all raised valid questions regarding PBGC operations. Recent reports have identified weaknesses in PBGC's information technology (IT) systems, errors in how PBGC has valued the assets of terminated plans and potential misestimates of long term liabilities. Despite these weaknesses, PBGC continues to maintain an unbroken record of unqualified audit opinions and is one of the highest rated federal organizations in customer service. Nevertheless, PBGC now has no choice but to make substantial investments to enhance administrative capabilities to meet current and anticipated workloads, as well as comply with financial, audit and National Institute of Standards and Technology Information Technology (NIST) requirements. Failure to do so would expose pension plan participants to an unacceptable level of risk and could lead to loss of confidence in PBGC's financial statements and pension trust fund management.

### **Major FY 2014 Budget Initiatives**

- Meet Growing Cost for Investment Management Activities
- Ensure Accurate Benefit Determination
- Restructure the Multiemployer Program

**Meet Growing Cost for Investment Management Activities** – We estimate based on our assets under management and our current fee structure that additional investment management fees are required to meet expected growth on our investment portfolio. The PBGC investment portfolio has grown significantly in terms of asset levels. Assets are forecasted to increase 28% from 9/30/11 through 9/30/14. Actual management cost will vary materially as a result of changes in the market value of assets under management, takeover of terminated plans, fee structure of managers and other factors.

**Ensure Accurate Benefit Determination** – The Office of Inspector General issued two separate reports (April 2011 and November 2011) identifying significant errors in how the Benefits Administration and Payment Department (BAPD) had determined valuation of assets for the National Steel Corporation and United Airlines pension plans when they were initially trustee'd by PBGC. The combined impact of these two reports has focused the attention of PBGC executives, including the Board of Directors, on the need for a fundamental reorganization of BAPD's management structure and operating procedures.

PBGC initiated a full review of BAPD structure and operations and recommendations for enhancements to improve quality control.

## PENSION BENEFIT GUARANTY CORPORATION

Based on that review, we identified a wide range of actions that will improve our organization and processes. Without these improvements PBGC is at risk in not meeting financial standards and receiving additional criticisms for benefit determination processes. Our budget request addresses resources for:

- Improve Asset Evaluation Process
- Independent Quality Management Department
- Improve Data Collection
- Process improvement efforts -- Modernize procedures and update manuals to enable use of mobile devices
- Talent management, employee development, training and reorganization support
- Enhanced use of business analytics

**Restructure the Multiemployer Program** – More than 10 million of America’s workers and retirees participate in and rely on multiemployer plans. The financial deficit of our multiemployer program continues to increase sharply, as does our reasonably possible liability and multiemployer plan underfunding. Consequently, PBGC will augment the existing multiemployer Program to focus on distressed plans that we expect to increase in both volume and complexity once the Pension Protection Act sunsets in 2014. Our efforts will: (1) review mass withdrawal liability work-out requests; (2) assist with potential plan mergers, partitions and alternative withdrawal liability rule reviews; and (3) lead ad hoc projects where the viability of an employer or industry may impact the solvency of the plan.

### **Operations in Brief**

We protect some 43 million workers and retirees in private defined benefit pension plans, by encouraging companies to keep their plans, and by paying benefits when they cannot.

#### **We have two overarching goals:**

- Preserve plans and protect pensioners
- Pay pension benefits on time and accurately

We administer two insurance programs. Our single-employer program protects nearly 33 million workers and retirees in about 24,000 pension plans. Our multiemployer program protects about 10 million workers and retirees in about 1,500 pension plans. During FY 2012:

#### ***To preserve plans and protect pensioners, we:***

- Helped to protect 130,000 people in American Airlines’ plans, and tens of thousands more in other plans in ongoing bankruptcies
- Helped to protect 37,000 people in plans sponsored by companies that emerged from bankruptcy without terminating their plans

## PENSION BENEFIT GUARANTY CORPORATION

- Negotiated \$31 million in financial assurance to protect more than 9,000 people in plans at risk from corporate transactions
- Negotiated \$471 million in financial assurance to protect 50,000 people whose companies downsized
- Worked with media, Congressional staff, retiree groups, unions, and pension advocacy groups to help thousands to understand the lifetime consequences of accepting one-time cash payments instead of their pensions

### *To pay timely and accurate benefits, we:*

- Assumed responsibility for more than 47,000 people in 155 newly failed single-employer plans
- Started paying benefits to the 17,000 retirees in those plans, on time and without missing a single payment
- Paid \$5.5 billion to nearly 887,000 retirees in more than 4,500 failed plans (an additional 614,000 workers will receive benefits when they retire)
- Re-evaluated the benefits of more than 223,000 pensioners at United Airlines, National Steel, and in other plans to correct possible errors in the original work over the past decade, and started changing procedures and organization to avoid errors in the future

**Retirees Rate PBGC as One of the Best Agencies in Government.** Pensioners typically come to us in a time of great uncertainty: Through no fault of their own, they suddenly don't know the fate of the benefits they may have worked a lifetime to receive. They may have lost their health benefits and even their jobs. We aim to serve them with competence and compassion. For those who have already retired, we assure them that they will not miss a benefit payment — and then we make it happen. This year, we assumed responsibility for 47,000 new people, 17,000 of them already retired, and not one missed a single month's check.

Retirees receiving monthly benefits rated us 89 on the American Customer Satisfaction Index (ACSI), more than 20 points above the government average (a score of 80 or higher is considered excellent, whether for a government agency or a private business). For retirees, the ease of applying for benefits and the reliability of monthly payments are of high importance, and they rated us highly in both categories. People who reached us by phone, whether retired or still working, rated us 87, our highest caller score ever, and reported continued satisfaction with the respect our representatives showed and the accuracy with which we resolved their concerns. They also expressed confidence that we will continue to do a good job in the future.

**Pension Plan Administrators Continue to Rate Services Highly.** Administering a pension plan can be frustratingly complex, so we aim to make employer and plan administrator experiences as straightforward as possible. This includes making continuous improvements to

## PENSION BENEFIT GUARANTY CORPORATION

the services we offer and simplifying the plan-administration and premium-filing regulations. In FY 2012, plan professionals continued to express satisfaction with our services, even as we took steps to serve them better. Our customer satisfaction scores for premium filers and for our online premium filing application, My Plan Administration Account (My PAA), reflect a high level of satisfaction in the business community, especially compared with other agencies engaged in collection activities. The scores are substantially higher than for corporate tax filers, the customer group most similar to our premium payers. Our survey results for premium filers nudged from 75 to an all-time high score of 76. The My PAA users rated their satisfaction at 80, meeting the ACSI —threshold of excellence.

### **Maintaining High Standards of Stewardship and Accountability**

As a financial institution with responsibility for more than 43 million people and obligations of nearly \$120 billion, it is essential that we do our work in a way that maintains the trust of our customers and the public. Our employees hold themselves and each other to high standards of professionalism, accountability, and ethics. Our programs reinforce this culture.

#### ***Accountability: Measuring & Monitoring Performance***

PBGC engages in many complex tasks that affect many people, businesses, and other organizations. For that reason, we rely on a wide range of performance measures: We measure our performance by how well we do our work and serve our customers—from how quickly and seamlessly we start paying retirees new to our system, to how accurately we calculate their benefits and how well we invest assets from trustee plans. We measure customer satisfaction directly, by asking them how well we serve them, and then using their feedback to improve our services. And in FY 2012, we administered the agency's first internal satisfaction survey to ensure that employees are serving each other well so that we can continue to meet our external customer service goals.

This year, we also updated our strategic plan, clarified our priorities, and held quarterly reviews to discuss our progress. Our leadership took steps to strengthen our performance culture by setting goals and priorities for fiscal years 2012-2016, updating performance measures to ensure that they align with those goals, focusing on improving service quality and customer satisfaction, and basing awards on those measures.

Table 1 provides a summary of our FY 2012 activity volumes and performance data. The measures are supported with program metrics that demonstrate progress and achievement of agency priorities. The activity volumes provide information and insight to our programs. Collectively, the data reflects how well we are achieving our goals to preserve plans and protect pensioners, pay pension benefits on time and accurately to retirees and beneficiaries, and maintain trust with our customers and stakeholders.

# PENSION BENEFIT GUARANTY CORPORATION

## Table 1: Summary of PBGC Measures and Activities

	Target <sup>1</sup>	2012	2011
<b>Preserve Plans and Protect Pensioners</b>			
People Protected in Bankruptcy, Layoffs, and Early Warning		96,000 <sup>2</sup>	316,000
Additional Payments from Audits of Standard Termination Filings		\$3 M to 454 people	\$2 M to 920 people
Premium Filer Satisfaction - ACSI <sup>3</sup>	72	76	75
<b>Pay Timely and Accurate Benefits</b>			
People Receiving Benefits - Single-employer Plans		836,000	819,000
People to Receive Benefits in Future - Single-employer Plans		593,000	574,000
People Receiving Benefits - Multiemployer Plans		51,000	54,000
New Retiree Payments Undertaken Without Interruption	100%	100%	100%
Estimated Benefits Within 10% of Final Calculation	95%	95%	92%
Average Time to Provide Benefit Determinations (years)	3.0	3.5	2.9
Benefit Payment Error Rate <sup>4</sup>	<2.5%	.95%	na
Applications Processed in 45 days	67%	90%	85%
Caller Satisfaction – ACSI	81	87	86
Retiree Satisfaction – ACSI	85	89	90
<b>Staying Trustworthy</b>			
Overall Customer Satisfaction – ACSI	72	72	na
Financial Surplus (Deficit) - Single-employer Program		(29.1 B)	(\$23.3 B)
Financial Surplus (Deficit) - Multiemployer Program		(5.2 B)	(\$2.8 B)
“Clean” (Unqualified) Audit	Yes	Yes	Yes
Contract Awards Fully Competed <sup>5</sup>		89%	87%

<sup>1</sup> Targets are not applicable to work activities and some measures.

<sup>2</sup> In addition, we helped protect 130,000 people in American Airlines and tens of thousands more in other plans in ongoing bankruptcies.

<sup>3</sup> The American Customer Satisfaction Index (ACSI) uses a 0-100 scale. 80 or above is considered excellent.

<sup>4</sup> The result measures gross improper payment rate; 2.5% is OMB's threshold for significant improper payment rates. As detailed further on page 90 of the Annual Report, benefit payments were determined to be not susceptible to significant improper payments based on the reported .95% gross improper payment rate.

<sup>5</sup> Weighted by dollars.

# PENSION BENEFIT GUARANTY CORPORATION

## Cost Model

The FY 2014 administrative operating budget of \$505,441,000 and 1018 FTE is comprised of three activities:

- Pension Insurance (\$80,000,000) includes such functions as the collection and investment of premiums; monitoring, negotiating and litigating protections for participants in endangered plans; prosecuting claims recoveries in terminated plans; and assisting plan practitioners in their dealings with the Corporation.
- Pension Plan Termination and Benefits Administration (\$268,230,000) includes the work necessary to fulfill PBGC's responsibilities toward the participants in trustee plans, including determining and paying the benefits and providing related services. This amount includes \$94,476,000 for Investment Management Activities.
- Operational Support (\$157,211,000) includes the vast range of activities necessary to keep the Corporation working, including facilities, information technology, and other administrative services such as accounting, budget, legal services, internal controls, strategic planning and human resources management.

*PBGC's Agency Request assumes:*

## Reductions (\$14,017,000)

- A reduction of (\$8,696,000) reflecting one-time costs associated with development of a new Premium Accounting System (PAS).
- A reduction of (\$5,321,000) reflecting necessary realignments between object classes and activities to support operational requirements that have changed from FY 2012.

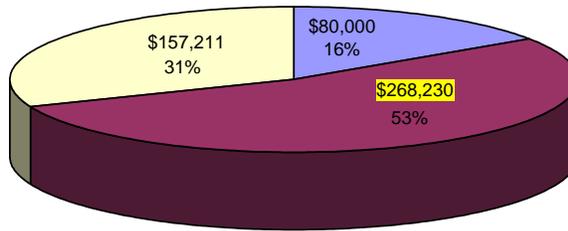
## Increases \$42,557,000

- An increase of \$8,500,000 for costs associated with modernizing the Benefits Administration and Payment processes.
- An increase of \$4,500,000 for costs associated with restructuring the Multi-employer program.
- An increase of \$23,000,000 to reflect increased costs of Investment Management Activities from growth in Pension Trust Fund Assets under management.
- An increase of \$5,321,000, to reflect necessary realignments between object classes and activities to support operational requirements that have changed from FY 2012.
- An increase of \$162,000 for FTEs to support the Office of the Inspector General.

# PENSION BENEFIT GUARANTY CORPORATION

- An increase of \$1,074,000 to reflect inflationary adjustments.

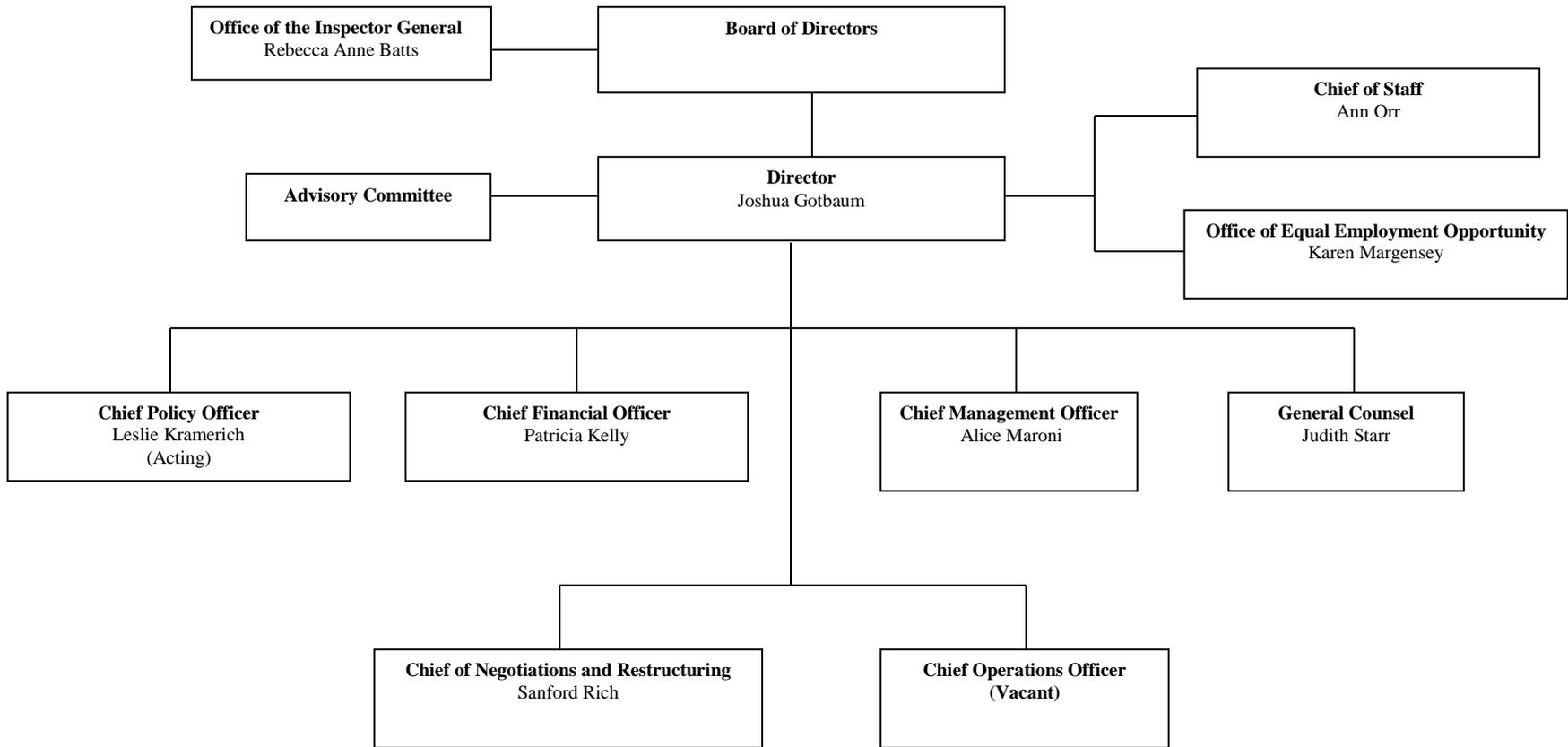
**FY 2014 PBGC Budget by Activity**  
**Total = \$505,441**  
**(Dollars in thousands)**



- Pension Insurance includes \$1,000,000 for Investment Management Activities
- Pension Plan Termination includes \$94,476,000 for Investment Management Activities
- Operational Support

Pension Insurance	230 FTE	\$ 80,000
Pension Plan Termination	350 FTE	\$268,230
Operational Support	438 FTE	\$157,211
<b>Total</b>	<b>1,018 FTE</b>	<b>\$505,441</b>

# PENSION BENEFIT GUARANTY CORPORATION





## PENSION INSURANCE

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY 14 Request / FY 12 Rev. Enacted</b>
<b>Activity Appropriation</b>	<b>87,532</b>	<b>74,078</b>	<b>80,000</b>	<b>-7,532</b>
FTE	210	230	230	20

NOTE: FY 2012 reflects actual FTE. The authorized level for FY 2012 was 225.

### Introduction

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

### Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$70,590	216
2010	\$86,412	216
2011	\$74,506	215
2012	\$87,532	210
2013	\$74,078	230

### **FY 2014**

PBGC will continue efforts to restructure the Multiemployer (ME) Program. More than 10 million of America's workers and retirees participate in and rely on multiemployer plans. The financial deficit of our multiemployer program continues to increase sharply, as does our reasonably possible liability and multiemployer plan underfunding.

<b>Measures of Funding Health</b>	<b>Current<sup>3</sup></b>	<b>Previous<sup>4</sup></b>	<b>% Increase</b>
Current Deficit	\$5.2 billion	1.4 billion	272%
Reasonably Possible Liability	\$27 billion	\$20 billion	35%
Total Estimated Underfunding	\$400 billion	\$200 billion	100%

<sup>3</sup> 2012 data.

<sup>4</sup> Current Deficit and Reasonably Possible rows reflect 2010 data. Beginning in 2009 underfunding, which had hovered in the \$200 billion range between 2004 and 2008, grew to \$354 billion. It is now estimated at over \$400 billion. One third of the ME plans are in critical condition and another third are endangered.

## **PENSION INSURANCE**

We expect multiemployer plan cases will increase in both volume and complexity. The area with the most expected growth involves mass withdrawal liability work-outs. Considering the PPA sunset and other possible legislative changes, as well as the known concerns over the health of ME plans, PBGC anticipates we could see as much as a 500% increase in work-out requests in a variety of industries (previous requests have been focused within the construction industry). We also anticipate anywhere from five to fifteen partition and/or merger requests and five to ten ad hoc work-out requests.

PBGC is responding to these imperatives by restructuring the multiemployer program to work proactively with multiemployer plans prior to insolvency and improve collaboration with both internal and external stakeholders. Our efforts will:

- review mass withdrawal liability work-out requests
- assist with potential plan mergers, partitions and alternative withdrawal liability rule reviews
- lead ad hoc projects where the viability of an employer or industry may impact the solvency of the plan

### **FY 2013**

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced.

### **FY 2012**

In FY 2012, PBGC protected 130,000 people in American Airlines' plans and tens of thousands more in other plans in ongoing bankruptcies. The Corporation also assisted 37,000 people in plans sponsored by companies that emerged from bankruptcy without terminating their plans. PBGC negotiated \$31 million in financial assurance to protect more than 9,000 people in plans at risk from corporate transactions, negotiated \$471 million in financial assurance to protect 50,000 people whose companies downsized, and worked with media, Congressional staff, retiree groups, unions, and pension advocacy groups to help thousands to understand the lifetime consequences of accepting one-time cash payments instead of their pensions.

### **Preserving Plans and Protecting Pensioners**

Even as the overall economy showed improvements in FY 2012, pension plans continued to be at risk, and with them, the retirement security of the people who count on them. We continued our efforts to preserve plans and protect people:

- Even before troubled companies enter bankruptcy, we work with them to protect their plans, sometimes requiring additional funding to strengthen the plan.
- When companies enter bankruptcy, we first seek to preserve their plans if possible.

## PENSION INSURANCE

- If they cannot successfully restructure while maintaining their pensions, we step in and pay benefits.

### **Protecting Pensioners Before Companies are Bankrupt**

*Early Warning:* We continued to monitor more than 1,000 companies for transactions that could pose significant risks to underfunded plans and to arrange for sponsors to protect those plans. We also investigated transactions to see if they posed risk to people's pensions, and negotiated agreements to strengthen them if they did. In FY 2012, we opened 37 such investigations and reached two agreements.

*Responding to Major Shutdowns and Layoffs:* Under Section 4062(e) of ERISA, a company may owe an additional liability when it ceases operations at a facility. In these circumstances, we can negotiate agreements that protect the plans through additional cash contributions or other means. During FY 2012, we reached settlements with 27 companies for \$471 million to protect almost 50,000 participants.

### **Protecting Pensioners in Bankruptcy**

Even after a company enters bankruptcy, we work to try and preserve its plans. We take an active role in bankruptcies to prevent unnecessary plan terminations, and to pursue claims on behalf of the plan participants and the pension insurance program. The number of new bankruptcy cases continued to drop in FY 2012. Nevertheless, four new bankruptcies presented very large exposures: American Airlines, Kodak, NewPage Group, and Hawker Beechcraft. In each, we have been working to protect the interests of the participants.

American Airlines entered bankruptcy in November 2011 and immediately announced plans to terminate its four pension plans. American's plans are underfunded by \$12 billion and cover nearly 130,000 workers and retirees. We worked actively to revisit that decision. Our financial analysts found that American's plans were less costly than some of its competitors. We then worked with American's creditors, to show them the consequences of termination on their interests. We worked closely with stakeholders, with the press, with the Congress, with other government agencies, and in court. Eventually, American chose to freeze rather than terminate all four of its pension plans..

In Hawker Beechcraft's case, pension plans are underfunded by \$750 million. We have worked hard to try to preserve the pensions for the nearly 18,000 people in the plans. As a result of intensive negotiations, one plan is being preserved — it covers more than 8,000 people.

All told, in FY 2012 we opened 38 new bankruptcy cases. Companies that continued their pension plans following a bankruptcy filing include Great Atlantic & Pacific Tea Company (A&P), with more than 26,000 people, Lee Enterprises, with 4,200, and Houghton Mifflin Harcourt Publishing with 4,000, and the people will receive their full promised benefits.

In FY 2012, our efforts kept more than \$12 billion in unfunded pension liabilities off our books and helped nearly 200,000 people keep the benefits they've accrued.

# **PENSION INSURANCE**

## **Protecting People in Standard Terminations**

A company can end a fully funded plan in a standard termination, by paying all the benefits it owes with an annuity or another form of payment. We received 1,415 such filings in FY 2012, audited 246, and took enforcement actions that resulted in additional payments of \$3.1 million to 454 workers and retirees. We also take in the benefits of people the plan sponsor cannot locate, undertake our own search efforts, and provide tools for those people to find unclaimed pensions on our website.

## **Encouraging Employer-Provided Retirement Plans**

ERISA tasks PBGC with encouraging the continuation and maintenance of voluntary private pension plans. We do so in many ways: by working to preserving existing plans, facilitating new options, and helping individuals understand their retirement choices.

## **Collecting Premiums**

In FY 2012, we collected \$2.4 billion in premiums to insure defined benefit pension plans in the single-employer and multiemployer programs. Premium filers expressed overwhelming satisfaction with our services in FY 2012. Our survey results for premium filers rose from 75 to an all-time high score of 76. Users of My PAA rated their satisfaction with the system at 81, surpassing the ACSI “threshold of excellence” at 80 and also reaching an all-time high score for this measure.

## **Regulatory Review**

In FY 2012, we announced a voluntary correction program for certain premium filers. Benefits include more effective enforcement and earlier compliance, while resulting in producing premium revenue more quickly. The program reduces penalty costs for plan sponsors. In addition, we published a final rule making our determinations on penalties for failure to timely provide information subject to our administrative review regulations. This change promotes uniformity and transparency in our procedures.

## **Premium Penalty Relief**

In FY 2012, we announced a voluntary correction program that reduces penalty costs for some premium filers, and in some cases, eliminates penalties. By forgoing some penalties, we can expect more effective enforcement and earlier compliance, as well as timelier premium collection. About 50 plans took advantage of this relief. In return, we now have 50 additional premium-filing plans. In addition, premium payers continue to see the benefits of the premium-related relief that we announced late in FY 2011. This relief was in response to comments we heard from premium payers and pension professionals as a result of our regulatory review. We provided relief from some premium penalties, many involving alternative premium funding target elections.

## **PENSION INSURANCE**

### **Shutdowns and Layoffs**

In FY 2012, we rethought our approach to ERISA section 4062(e), which requires companies to make financial assurances whenever they cease operations at a facility and cause substantial job loss.

We began to re-examine our approach to section 4062(e) when we saw the business community's comments on our 2010 proposed regulation on the section. Their response was clear: we should reduce burdens on companies in circumstances where there was little or no risk to plan participants or PBGC. After meeting with the business community, we decided they were right. We announced that PBGC would revise the proposal. We also focused enforcement resources on circumstances where there really is a threat to pensions, taking into account plan size and the financial health of the plan sponsor.

### **Implementing the Pension Protection Act of 2006**

In FY 2012, we continued drafting rules to implement and comply with the Pension Protection Act of 2006 (PPA). We are simplifying employer compliance when feasible, taking into account the needs of small businesses and comments from stakeholders. We published a proposed rule implementing PPA changes to terminations of cash-balance plans.

### **Benefits Litigation**

In FY 2012, PBGC continued to litigate the contested termination of the Delphi Salaried Plan (Black v. PBGC, et al.) and the contested termination of a bank holding company's plan (PBGC v. FBOP; FBOP v. PBGC). We won an important preliminary victory in PBGC v. Asahi Tec, allowing a foreign parent company to be sued in a US court for pension underfunding and related liabilities. We won another in PBGC v. Bendix Commercial Vehicle Systems, which held that discovery is improper when we sue to enforce an agency determination of employer liability on an administrative record. And we achieved an important creditors' rights precedent in Cox Enterprises v. PBGC, when an appeals court held that a stockholder's right to a buyout comes behind pension underfunding in an insolvency situation.

We also filed a lawsuit to enforce our audit determination concerning a sponsor's standard termination of its pension plan (PBGC v. Town & Country Bank and Trust Company). That lawsuit seeks to enforce our determination that the sponsor did not fully pay certain participants when it completed the standard termination. We also opposed a lawsuit by another sponsor challenging an audit determination that a post-termination amendment resulted in the decrease of benefits for participants and beneficiaries in a standard termination (Powell Valley National Bank et al. v. PBGC).

## PENSION INSURANCE

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2012 Revised Enacted</b>		<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>Pension Insurance</b>				
<b>Strategic Goal 4 - Secure health benefits and, for those not working, provide income security.</b>				
<b>Outcome Goal 4.3 - Improve health benefits and retirement security for all workers.</b>				
<b>Performance Measure</b>				
Unfunded Plan Termination	140	155[r]	120[e]	120[e]
Financial Assistance Transactions/Requests Processed for Insolvent Multiemployer Plans	244	189[r]	250[e]	270[e]
Customer Satisfaction Score for Premium Filers	72	76[r]	72[e]	72[e]
<b>Workload A: (Units)</b>				
New Bankruptcy Cases Opened	60	38[r]	45[e]	45[e]
Standard Termination Filings Received for PBGC Review (fully funded plans)	1,450	1,328[r]	1,500[e]	1,500[e]
Standard Termination Audits Completed (audits or benefit distributions made to plan participants)	260	246[r]	280[e]	300[e]
Reportable Events	1,200	1,087[r]	1,200[e]	1,200[e]
Litigations	45	47[r]	45[e]	45[e]

# PENSION INSURANCE

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2012 Revised Enacted</b>		<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
	<b>Workload B: (Dollars, in thousands)</b>			
Premiums Collected	\$2,221,000.00	\$2,213,000.00[r]	\$3,528,000.00[e]	\$3,882,000.00[e]
Revolving Fund Investment Portfolio	\$19,245,000.00	\$19,620,000.00[r]	\$20,820,000.00[e]	\$22,466,000.00[e]

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

# PENSION INSURANCE

## Workload Summary

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

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

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

The scale of our future workload changes remains subject to factors largely beyond the corporation's control but the continuing DB plan decline in the U.S., current deficits and significant exposure to future losses suggest increasing risks to the insurance programs and higher demand on PBGC.

## PENSION INSURANCE

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY14 Request / FY 12 Rev. Enacted</b>
11.1	Full-time permanent	23,359	24,804	25,647	2,288
11.3	Other than full-time permanent	454	454	454	0
11.5	Other personnel compensation	917	1,171	1,179	262
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>24,730</b>	<b>26,429</b>	<b>27,280</b>	<b>2,550</b>
12.1	Civilian personnel benefits	6,845	6,985	7,203	358
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	417	458	458	41
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	15	15	15	0
24.0	Printing and reproduction	30	40	30	0
25.1	Advisory and assistance services	1,085	1,085	1,000	-85
25.2	Other services from non-Federal sources	53,666	38,297	42,812	-10,854
25.3	Other goods and services from Federal sources 1/	577	577	1,000	423
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	131	146	151	20
31.0	Equipment	36	46	51	15
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>87,532</b>	<b>74,078</b>	<b>80,000</b>	<b>-7,532</b>
1/Other goods and services from Federal sources					
	Services by Other Government Departments	577	577	1,000	423

# PENSION INSURANCE

## CHANGES IN FY 2014

(Dollars in Thousands)

**Activity Changes**

**Built-In**

To Provide For:

Costs of pay adjustments	\$188
Personnel benefits	50
One day more of pay	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Working Capital Fund	0
Other goods and services from Federal sources	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** **\$238**

**Net Program** **-\$7,770**

**Direct FTE** **20**

	<b>Estimate</b>	<b>FTE</b>
<b>Base</b>	<b>\$87,770</b>	<b>210</b>
<b>Program Increase</b>	<b>\$4,500</b>	<b>20</b>
<b>Program Decrease</b>	<b>-\$12,270</b>	<b>0</b>

NOTE: Base reflects actual FY 2012 FTE vice authorized level of 225.

## PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY 14 Request / FY 12 Rev. Enacted</b>
<b>Activity Appropriation</b>	<b>238,128</b>	<b>239,878</b>	<b>268,230</b>	<b>30,102</b>
FTE	336	350	350	14

NOTE: FY 2012 reflects actual FTE. The authorized level for FY 2012 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, appeals resolution, and Trust Fund investment management. A significant portion of the budget in this area includes actuarial and auditing support for large and complex plans, IT support for participant services' systems, paying agent support, and our Customer Contact Center. Additionally, we currently contract for benefits administration support at eight different locations outside the Washington, DC area.

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

### Investment Management

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

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

can, and does, vary greatly from year to year depending on gains or losses in asset value due to fluctuations in the financial markets, the size and composition of assets assumed from terminated pension plans, as well as certain unusual, illiquid or difficult to market assets primarily received from terminated pension plans or through settlement agreements.

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

<b><u>Fiscal Year</u></b>	<b><u>Funding</u></b> (Dollars in Thousands)	<b><u>FTE</u></b>
2009	\$232,557	340
2010	\$231,205	350
2011	\$242,300	349
2012	\$238,128	336
2013	\$239,878	350

### **FY 2014**

PBGC will continue efforts initiated in FY 2012 to reorganize the Benefits Administration and Payment Department.

Beginning in 2009, the PBGC OIG investigated and found errors and mismanagement in the valuing of the assets acquired in the National Steel (NS) and United Airlines (UAL) pension plans. As a result, many plans' assets were reevaluated and tens of thousands of pensioners' benefits recalculated. Consequently, the PBGC Director decided to undertake a full-scale review of BAPD, covering its organization, personnel and process improvements. PBGC contracted for a full review of BAPD structure and operations and to suggest ways to enhance quality control. The contractor report, as well as PBGC's own internal review work, produced recommendations for PBGC management to begin implementing, including:

Improve Asset Validation Process – This effort will establish a separate organization to perform asset valuations in order to eliminate a major source of process errors.

- (1) Improve Data Collection – This effort, which is currently decentralized within BAPD, will establish a separate, centralized data collection function.
- (2) Establish an Independent Quality Management (QM) Office – Recommended by the Inspector General, this effort will support the creation of an independent QM Office and the transition of existing QM resources and a significant enhancement, including the addition of Federal employees, to validate and give assurances in PBGC benefit processing.
- (3) Provide Additional Management, Re-Design Procedures, and Update Manuals – Provide for additional management to support operational reforms, new procedures, and allow for consolidating contracts.

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

- (4) Provide Ancillary Support and Employee Development – Support master level Program Manager Certification and improved supervisory skill training.

**Meet Growing Cost for Investment Management Activities** – We estimate based on our assets under management and our current fee structure that additional investment management fees of \$23,000,000 will be required in FY 2014 to meet expected growth on our investment portfolio. The PBGC investment portfolio has grown significantly in terms of asset levels. Assets are forecasted to increase 28% from 9/30/11 through 9/30/14. Actual management cost will vary materially as a result of changes in the market value of assets under management, takeover of terminated plans, fee structure of managers and other factors.

### **FY 2013**

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced.

### **FY 2012**

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

Although it's always better for companies to keep their own pension promises, some companies and plans fail. When they do, we are there. We are currently responsible for the pensions of some 1,500,000 people. PBGC remains one of the best benefit payment organizations in the Federal government and is committed to further improvements in service and reliability.

In FY 2012, we became responsible for an additional 47,000 workers and retirees in 155 terminated single-employer plans. Some of the largest failures were plans sponsored by Friendly Ice Cream Corporation, Christ Hospital, Dewey & LeBoeuf LLP, and Olan Mills, Inc.

We must determine the individual benefits owed to each participant, which requires a unique calculation for each participant. Despite this complexity and the significant variation in termination activity from year to year, we remain committed to delivering accurate and timely payments and benefit determinations, and remaining responsive to participants' needs. Our ACSI survey results demonstrate continued excellence in providing clear communications and on-time payments.

#### **When Plans Fail, Benefits Continue Uninterrupted and On Time**

When a company can no longer keep its pension promises, our first priority is to ensure that people keep getting their benefit payments without interruption. In FY 2012, we stepped in to pay nearly 17,000 retirees already receiving monthly checks. All continued to receive their benefits without interruption.

#### **Paying Benefits on Time**

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

PBGC paid \$5.4 billion in benefits in FY 2012 to more than 836,000 retirees in single-employer plans. Each and every month, we process and pay these benefits on time. We monitor all of our activities to make sure we are paying people on time.

We also process new applications quickly. For those who become eligible during the time we are assuming a plan, we generally process their applications within 45 days. In FY 2012, we processed nearly 37,000 new benefit applications, 90 percent of them within 45 days. The 45 days allows us to review applicant documentation, follow up to obtain missing information, and arrange to pay the retiree by the following month.

### **Paying Accurate Benefits**

We calculate benefits using a complex process spelled out in federal law. Actuaries calculate each participant's benefit according to the provisions of the particular pension plan; then they must apply statutory and regulatory rules to determine how much we can pay.

- When a plan fails, we continue the payments that are already being made, on time and without interruption.
- Within a few months, using whatever documentation that is readily available, we estimate the benefits that would be owed under Federal law. We pay these estimated benefits until we can determine final benefits.
- After we gather all the necessary information and documentation, we make a final benefit determination. If a participant disagrees with the final benefit determination, they can appeal.

Retirees already receiving estimated payments may see adjustments to their benefits when they become final. For benefits we finalized in FY 2012, 95 percent of estimated payments were within 10 percent of the final benefit determination amount.

We place a high value on the accuracy of our benefit determination process. During FY 2012, we slowed the pace of our final determination process in order to address concerns about our quality. This has increased people's wait time for a final calculation of their benefits and the inventory average to 2.4 years. Although we are concerned about the delay in making final benefit determinations, we place a higher priority on ensuring that the determinations are accurate. It's important to note that we pay estimated benefits in the interim, so people are receiving benefits. During FY 2012, we issued nearly 24,000 final benefit determinations at an average completion time of 3.5 years. While we are working to improve timeliness of benefit determinations, our average time to issue them will increase in FY 2013 as we take up plans that are more complex and catch up on older plans in the inventory. We have nearly 310,000 people in our inventory who are due their final benefit determinations.

### **Reviews and Appeals**

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

Our goal is to ensure that beneficiaries get every penny to which they are entitled. Unfortunately, the benefits we are allowed to pay under the law can be very different from the benefits that a plan itself promised, so it is not surprising that our decisions are occasionally appealed or litigated. Since 2008, we have issued nearly 464,000 benefit determinations. Less than one percent of them have been appealed. Over the same period, only 900 people's benefits required a change after an appeal filing, two-tenths of one percent.

Appeals are often based on the participant presenting new information. The PBGC Appeals Board carefully examines the issues raised and makes a decision. In FY 2012, the average time to close appeals increased to just over one year due to the large influx of complicated appeals in the Bethlehem Steel, United Airlines, and Delta pilot plans. We post significant appeal decisions on our website for public access.

### **Investment Management**

As of September 30, 2012, we had an investment performance portfolio of about \$76 billion. Our funds come from premiums, assets of trusteed plans, and payments from plan sponsors as settlements in bankruptcy. In FY 2012, the total return on PBGC's investment performance portfolio was 12.6 percent, excluding transition accounts. Roughly two-thirds of PBGC investment managers outperformed their respective portfolio benchmarks and the portfolio as a whole performed above the benchmark level.

**PENSION PLAN TERMINATION AND BENEFITS  
ADMINISTRATION**

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2012 Revised Enacted</b>		<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>Pension Plan Termination and Benefits Administration</b>				
<b>Strategic Goal 4 - Secure health benefits and, for those not working, provide income security.</b>				
<b>Outcome Goal 4.3 - Improve health benefits and retirement security for all workers.</b>				
<b>Performance Measure</b>				
Customer Satisfaction score for trustee plan participant callers	81	87[r]	81[e]	81[e]
Customer Satisfaction score for retirees receiving benefits from PBGC	85	89[r]	85[e]	85[e]
<b>Workload A: Benefit Determinations to be Issued</b>				
Beginning Inventory of Benefits Determinations to be Issued	288,000	288,000[r]	325,000[e]	275,000[e]
Baseline Receipts (New Participants)	100,000	47,000[r]	100,000[e]	100,000[e]
Benefits Determinations Issued	63,000	24,000[r]	150,000[e]	116,000[e]
Ending Inventory	325,000	311,000[r]	275,000[e]	259,000[e]
<b>Workload B: Total Number of Participants (Trusteed Plans)</b>				
Total Participants (Beginning of Year)	1,384,000	1,384,000[r]	1,439,000[e]	1,439,000[e]
New Participants (Receipts)	100,000	47,000[r]	100,000[e]	100,000[e]

**PENSION PLAN TERMINATION AND BENEFITS  
ADMINISTRATION**

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2012 Revised Enacted</b>		<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
Subtotal	1,484,000	1,431,000[r]	1,539,000[e]	1,539,000[e]
Less: Lump Sum Payouts, Misc. Adjustments, and Mortality Projections	45,000	32,000[r]	46,000[e]	65,884[e]
Total Participants (End of Year)	1,439,000	1,399,000[r]	1,493,000[e]	1,473,116[e]

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

# **PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION**

## **Workload Summary**

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

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

In FY 2014, PBGC will:

- Continue to focus on completing the benefit determination work in our oldest plans
- Continue to process the large influx of plans, which were trusted in FY 2009 (over 200,000 participants) many of which are large complex plans
- Continue to perform baseline activities: evaluations and reviews, actuarial valuations, benefit administration, paying benefits, and all the things that go into supporting these activities
- Continue to implement recommendations from the strategic review of the benefits administration and payment function

## **Investment Management**

The PBGC investment portfolio has grown significantly, both in terms of asset levels and investment managers/mandates. Assets are forecasted to increase 28% from 9/30/11 through 9/30/14. Actual management cost will vary materially as a result of changes in the market value of assets under management, takeover of terminated plans, fee structures of managers, and other factors. The increased complexity of the PBGC investment program and, consequently, the increased variability between forecast and actual management cost, requires a flexible approach to budgeting for this program.

Rebalancing of the Investment Portfolio will continue in FY 2012 and into FY 2013 with assets being re-allocated within the overall portfolio. Our workload has increased significantly and will continue to expand, albeit at a slower pace, as new products and managers that were procured continue to be funded. We anticipate that the number of investment management managers and mandates will expand from the current 16 investment managers with 46 mandates to a projected total of approximately 22 investment managers and 58 mandates.

**PENSION PLAN TERMINATION AND BENEFITS  
ADMINISTRATION**

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY14 Request / FY 12 Rev. Enacted</b>
11.1	Full-time permanent	34,724	37,051	37,551	2,827
11.3	Other than full-time permanent	555	555	555	0
11.5	Other personnel compensation	911	1,427	1,437	526
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>36,190</b>	<b>39,033</b>	<b>39,543</b>	<b>3,353</b>
12.1	Civilian personnel benefits	9,693	9,979	10,111	418
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	940	939	939	-1
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	3,837	3,837	3,884	47
23.3	Communications, utilities, and miscellaneous charges	3,801	3,791	3,801	0
24.0	Printing and reproduction	137	137	137	0
25.1	Advisory and assistance services	71,476	85,170	94,476	23,000
25.2	Other services from non-Federal sources	110,419	95,377	112,360	1,941
25.3	Other goods and services from Federal sources 1/	336	336	1,700	1,364
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	374	379	379	5
31.0	Equipment	925	900	900	-25
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>238,128</b>	<b>239,878</b>	<b>268,230</b>	<b>30,102</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	336	336	1,700	1,364

# PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

## CHANGES IN FY 2014

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Costs of pay adjustments	\$278
Personnel benefits	71
One day more of pay	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Other goods and services from Federal sources	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** **\$349**

**Net Program** **\$29,753**

**Direct FTE** **14**

	Estimate	FTE
<b>Base</b>	<b>\$238,477</b>	<b>336</b>
<b>Program Increase</b>	<b>\$31,500</b>	<b>14</b>
<b>Program Decrease</b>	<b>-\$1,747</b>	<b>0</b>

NOTE: Base reflects actual FY 2012 FTE vice authorized level of 350.

## OPERATIONAL SUPPORT

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY 14 Request / FY 12 Rev. Enacted</b>
<b>Activity Appropriation</b>	<b>151,241</b>	<b>165,864</b>	<b>157,211</b>	<b>5,970</b>
FTE	410	437	438	28

NOTE: FY 2012 reflects actual FTE. The authorized level for FY 2012 was 424.

### 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 Office of Negotiations and Restructuring, and the management of the Corporation’s strategic planning activities, information technology (IT) infrastructure, budget, procurement, facilities management, general accounting & auditing, communications, and human resources.

### Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$141,795	372
2010	\$146,450	375
2011	\$147,261	377
2012	\$151,241	386
2013	\$165,865	411

### **FY 2014**

During FY 2014 PBGC will continue IT Development, Modernization and Enhancement (DME) on several efforts across the corporation that were initiated in prior years.

DME efforts PBGC expects to continue in FY 2014 include:

- Architecting all corporate processes to provide a foundation for future DME projects
- Implementation of IT information security improvements necessary to support corrective action planned to address material weaknesses in PBGC systems
- 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 2014, PBGC will continue employee support activities initiated in prior fiscal years. These include:

## OPERATIONAL SUPPORT

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

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

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

During FY 2014, PBGC will continue work on implementing corporate governance improvement as required by Section 40231 of P.L. 112-141, the Moving Ahead for Progress in the 21st Century Act (MAP-21).

### **FY 2013**

Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plan for PBGC programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

### **FY 2012**

In FY 2012, we added a new Customer Satisfaction survey which invites customers to provide feedback on the information and services we provide, as well as how well we are achieving our mission. Feedback from this survey is shared daily across the agency to support service improvements, and responsiveness to customer needs. A significant feature of the new survey is that we offer follow-up to survey respondents wanting personal assistance.

### **Accountability and Results**

In FY 2012 we updated our strategic plan, improved our performance metrics, and held quarterly performance reviews. Our leadership took steps to strengthen our performance culture by setting goals and priorities for fiscal years 2012-2016, updating performance measures to ensure they align with those goals, and focusing the organization on improving service quality and customer satisfaction.

Throughout FY 2012, we were a careful steward of the Corporation's resources and investments. In addition to collecting premiums and attaining our 20th consecutive unqualified audit opinion on financial statements, we maintained our focus on improving management in a number of areas.

# OPERATIONAL SUPPORT

## Strengthening Internal Controls

In FY 2012 we successfully closed 45 of just over 200 open OIG audit recommendations.

## Strengthening E-Government and Information Technology

Our information technology (IT) infrastructure continues to support paying benefits and performing other operations. During FY 2012, we improved the infrastructure by upgrading hardware and software, building more network capacity, and addressing security-related weaknesses. We revamped IT security policies and procedures, improved our account authorization and management, continued to aggressively identify and remediate vulnerabilities, and continued progress on security assessment and authorizations. In FY 2012, we took steps to comply with FISMA reporting requirements and during FY 2013 we will continue to correct weaknesses with a specific focus on improved continuous monitoring and on completing our configuration management improvement plans.

## Improving Federal Contracting and Acquisition

We have built a strong culture of serving the people who rely on us. We are able to meet their needs through the combined efforts of our federal workforce and the private sector contractors who support us. We work to make sure that our contractors are both efficient and compassionate, but like other federal agencies, ensuring proper oversight remains a challenge. Throughout FY 2012, we continued to make improvements to the way we acquire goods and services and to the overall administration of our contracts. We are focusing not just on our procurement department but on our total acquisition community—anyone involved in developing requirements, source selection, contract administration, or the inspection and acceptance of deliverables. We also expanded our training to focus on the certification needs of program managers, contracting officer representatives, and contracting officers. We strengthened our internal controls to ensure that we receive quality goods and services. Our goal is to mitigate contract management risk by developing a highly knowledgeable acquisition workforce. To ensure we get the best value for our dollars spent, we emphasized *acquisition excellence* through:

- Increased management engagement in acquisition planning and contractor administration
- Familiarity with governing documents stronger collaboration

In FY 2012, we fully competed 89 percent of our contract spending, up from 87 percent in FY 2011; 42 percent of our contracts were performance based, up from 40 percent in FY 2011.

## Improving Communication

In FY 2012, we continued efforts to encourage conversations and collaboration to enhance retirement security. Our December 2011 forum on the future of retirement security was an opportunity to do just that. We have begun preparations to host a follow-up forum in 2013.

## OPERATIONAL SUPPORT

Other communication efforts related to preserving plans. When American Airlines publicly announced it would terminate its pensions in bankruptcy we worked with the media, the Congress, and many constituencies to make sure the facts were known and understood. We met with the editorial boards of *The New York Times*, *Newsday*, *The Chicago Tribune*, *Tulsa World*, *The Dallas Morning News*, *The Fort Worth Star-Telegram*, *The Miami Herald*, and *The Washington Post*. All ran stories accurately capturing the issue, as did the *Wall Street Journal*, *Business Insurance*, and *Pensions and Investments*. Our communications efforts complemented our engagement with AMR's creditors and other stakeholders to help encourage American to keep its plans, thereby preventing 130,000 people from losing the pension benefits they had earned.

We also worked to increase the agency's transparency and make our resources more accessible to the public. Our open government web page, established in FY 2010, is kept current with data considered of value to the public. Last year, we began posting the Pension Insurance Data Tables online, providing the most recent statistics on the plans and people we protect. Throughout FY 2012, we continued to improve our website, primarily using customer feedback. Each year, we post our *Freedom of Information Act reports* to our website. In FY 2012, we processed and tracked more than 5,600 requests, most from people whose plans we trusted, and ended the year with no backlog.

Finally, we shared information the old-fashioned way — face to face. In FY 2012, PBGC speakers continued to reach more and more diverse audiences. Requests for our speakers were up 17 percent from FY 2011, totaling 90 engagements.

### **Ethical Practices**

We continue to enhance the role of ethics in our daily work. In FY 2012, we rolled out computer-based ethics training addressing Ethics and Social Media, along with a few other topics, for financial disclosure filers. We are also working to deliver —How to Succeed in Government without Really Trying: Fiscal and Ethics Training for PBGC Managers to all managers and financial disclosure filers. We expanded our online financial disclosure system, which allows employees to enter their information into a system using guided questions, and which carries over their information from year to year; it now serves both confidential and public filers. In addition, we are implementing the Stop Trading on Congressional Knowledge Act, which was signed into law on April 4, 2012, and providing guidance to those employees who must comply with the provisions.

### **Transforming the Federal Workforce**

PBGC's performance is dependent on the coordinated actions of hundreds of professionals from many disciplines, including actuarial science, accounting, finance, and law. PBGC has long been regarded as a good place to work—and we work to keep it that way.

### **Strengthening Our Workforce and Leadership**

## **OPERATIONAL SUPPORT**

We strengthened the training requirements for supervisors and managers and broadened training offerings to include briefings on Harvard Manage-Mentor and Harvard online training tools for supervisors. Other efforts in FY 2012 included a new and advanced Talent Management System that allows employees to take real-time online training, manage individual training plans, and schedule classes. We quadrupled the number of persons participating in our Leadership/Executive Coaching Program and implemented the FY 2012 Disabled Veterans' Affirmative Action Plan.

### **Broadening Recruitment**

In FY 2012, we used multiple recruitment tools to reach a broad pool of candidates. We launched our first social media recruitment endeavor using Facebook, Twitter, and LinkedIn to announce job openings. We increased participation in the Hispanic Association of Colleges and Universities Internship Program. We also continued to participate in job fairs to reach candidates from diverse talent pools.

### **Promoting Diversity and Inclusion**

In response to the government-wide initiative to promote diversity and inclusion in the federal work place, we prepared our first Diversity and Inclusion Strategic Plan and developed a framework to carry it out. We also hosted an OPM-sponsored diversity workshop to introduce senior leaders to the initiative. We hired an independent evaluator to review our diversity and inclusion programs, and based on their recommendations, decided to integrate our special emphasis programs into our broader human capital and diversity efforts.

### **Hiring and Keeping More People with Disabilities**

Throughout FY 2012, we continued to implement plans to attract and retain more people with disabilities. We raised awareness of disability programs and recruitment strategies through a series of briefings and workshops in collaboration with the Office of Personnel Management and the Equal Employment Opportunity Commission (EEOC). Following these workshops, we adopted promising practices and targeted outreach opportunities with organizations that help people with disabilities.

### **Getting Employee Viewpoints Directly (FedView)**

Since 2006, we have used FedView results to gather employees' perceptions of workforce management. In FY 2012, we again were rated as among the better federal agencies. We will continue to use the detailed FedView results to monitor the work environment and to improve our human capital practices.

## OPERATIONAL SUPPORT

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2012 Revised Enacted</b>		<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>Operational Support</b>				
<b>Strategic Goal 4 - Secure health benefits and, for those not working, provide income security.</b>				
<b>Outcome Goal 4.3 - Improve health benefits and retirement security for all workers.</b>				
<b>Workload A: (Units)</b>				
Servers Supported (Physical)	300	280[r]	300[e]	300[e]
Software Releases	350	360[r]	350[e]	350[e]
Data Storage (GB)	250,000	250,000[r]	250,000[e]	250,000[e]
Network Communication Equipment	240	245[r]	250[e]	250[e]

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

## **OPERATIONAL SUPPORT**

### **Workload Summary**

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

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

## OPERATIONAL SUPPORT

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY14 Request / FY 12 Rev. Enacted</b>
11.1	Full-time permanent	44,823	50,326	51,022	6,199
11.3	Other than full-time permanent	555	555	555	0
11.5	Other personnel compensation	1,430	1,404	1,389	-41
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>46,808</b>	<b>52,285</b>	<b>52,966</b>	<b>6,158</b>
12.1	Civilian personnel benefits	13,941	15,381	15,528	1,587
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	461	445	462	1
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	24,753	24,735	24,753	0
23.3	Communications, utilities, and miscellaneous charges	1,969	1,941	1,973	4
24.0	Printing and reproduction	176	176	176	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	54,342	61,100	50,769	-3,573
25.3	Other goods and services from Federal sources 1/	580	580	1,400	820
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	2,326	2,303	2,268	-58
31.0	Equipment	5,884	6,917	6,915	1,031
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>151,241</b>	<b>165,864</b>	<b>157,211</b>	<b>5,970</b>
1/Other goods and services from Federal sources					
	Services by Other Government Departments	580	580	1,400	820

# OPERATIONAL SUPPORT

## CHANGES IN FY 2014

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Costs of pay adjustments	\$376
Personnel benefits	111
One day more of pay	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Working Capital Fund	0
Other goods and services from Federal sources	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** **\$487**

**Net Program** **\$5,483**

**Direct FTE** **28**

	Estimate	FTE
<b>Base</b>	<b>\$151,728</b>	<b>410</b>
<b>Program Increase</b>	<b>\$5,483</b>	<b>28</b>

NOTE: Base reflects actual FY 2012 FTE vice authorized level of 424.



## OFFICE OF INSPECTOR GENERAL

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY 14 Request / FY 12 Rev. Enacted</b>
Activity Appropriation	5,965	5,965	6,127	162
FTE	22	26	27	5

NOTE: FY 2012 reflects actual FTE. The authorized FTE level for FY 2012 was 24.

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

### **Introduction**

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

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

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

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

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

## OFFICE OF INSPECTOR GENERAL

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 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 \$6,127,000
- Of that amount, \$64,724 is requested for training
- I certify that \$64,724 would satisfy the training requirements for FY 2014

### Five-Year Budget Activity Component History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2009	\$4,691	22
2010	\$5,745	24
2011	\$5,965	24
2012	\$5,965	22
2013	\$5,965	26

### FY 2014

#### PERFORMANCE MEASURES

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

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

### FY 2013

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Figures shown for FY 2013 reflect the annualized Continuing Resolution (P.L. 112-175) as a full-year appropriation, which had not been replaced or amended at the time the budget was produced. In addition, these numbers do not reflect the impact of sequestration. The operating plan for Department of Labor programs for FY 2013 including sequestration are being provided to the Committee in a separate communication.

### FY 2012

Completed activities include:

- **Financial statement audit.** We issued 4 audit reports related to the audit of PBGC's financial statements for FY 2011, including the 19th consecutive unqualified opinion on the financial statements. Based on three material weaknesses – two in information technology controls and one in the pension benefits and payments operations -- we reported an adverse opinion on PBGC's system of internal controls. A separate internal control report provided details of the deficiencies underlying the material weaknesses.
- **Information security weaknesses.** We filed the Federal Information Security Management ACT (FISMA) report filed with OMB on November 15, assessing PBGC's information security posture, and detailed on-going IT security weaknesses in the financial statement internal control report. Additionally we issued a detailed narrative FISMA report and vulnerability assessment report.
- **Errors and omissions in PBGC's pension plan asset and participant data audits.** Our review of PBGC's actions disclosed serious shortcomings in the plan asset audits conducted to determine the fair market value of the assets of four United Airlines pension plans covering about 126,000 participants. Similar issues uncovered in our review of the National Steel plan asset audit and other internal reviews demonstrate the systemic nature of weaknesses in PBGC's post-termination auditing practices. OIG concluded that PBGC's audit work failed to meet applicable professional standard because neither PBGC nor its contractor exercised due professional care in the conduct of the audits. Further, PBGC did not provide effective oversight for the contractor and accepted and paid for sub-standard and obviously flawed audit work. During the second half of 2012, OIG will continue its emphasis on BAPD activities and on PBGC's ongoing corrective actions.

Upcoming work includes:

- Because previously identified weaknesses in information technology security will continue to affect PBGC systems until corrected, and because PBGC data includes personally-identifiable information from participants and sensitive financial information from plan sponsors, a necessary focus of our audit work is the security and stability of systems in the "as is" state while changes are being planned and initiated. OIG audits and other reviews have identified serious IT weaknesses that PBGC estimates will require several years to correct. These deficiencies have agency-wide impact, including operating IT general support systems and major applications without the required authorizations to operate and operating a system containing millions of pension plan participants' personally-identified information

## OFFICE OF INSPECTOR GENERAL

without appropriate protection.

- As PBGC has significant assets to invest (about \$70,000,000,000 as of September 30, 2011) and the PBGC Board of Directors adopted a new investment policy in May 2011, we will continue to devote substantial resources to the monitoring and review of PBGC's investment policy implementation and practices. Planned reviews include audits of PBGC's oversight of its investment program, including its written policies and procedures, and of PBGC's monitoring of contract investment advisors.
- 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 certain types of high-risk contracts are well managed. Prior audit work has shown significant and persistent weaknesses in PBGC's oversight of its contracting processes.
- We will continue to dedicate a significant amount of our financial and staff resources to the statutorily-required audit of PBGC's annual financial statements. Given the third adverse opinion on internal controls reported in the FY 2011 financial statements audit, that work will require increased attention from OIG management throughout the course of the review.

## OFFICE OF INSPECTOR GENERAL

<b>BUDGET ACTIVITY COMPONENT BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY14 Request / FY 12 Rev. Enacted</b>
11.1	Full-time permanent	2,848	2,936	3,097	249
11.3	Other than full-time permanent	31	31	31	0
11.5	Other personnel compensation	92	36	36	-56
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>2,971</b>	<b>3,003</b>	<b>3,164</b>	<b>193</b>
12.1	Civilian personnel benefits	728	752	795	67
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	18	18	48	30
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	1	1	1	0
24.0	Printing and reproduction	0	0	0	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	2,191	2,135	2,063	-128
25.3	Other goods and services from Federal sources 1/	0	0	0	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	25	25	25	0
31.0	Equipment	31	31	31	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>5,965</b>	<b>5,965</b>	<b>6,127</b>	<b>162</b>
1/Other goods and services from Federal sources					

# OFFICE OF INSPECTOR GENERAL

## CHANGES IN FY 2014

(Dollars in Thousands)

**Activity Changes**

**Built-In**

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
One day more of pay	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Other goods and services from Federal sources	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** **\$162**

**Direct FTE** **5**

	<b>Estimate</b>	<b>FTE</b>
<b>Base</b>	<b>\$5,965</b>	<b>22</b>
<b>Program Increase</b>	<b>\$162</b>	<b>5</b>

NOTE: Base reflects actual FY 2012 FTE vice authorized level of 24.

## SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY 14 Request / FY 12 Rev. Enacted</b>
<b>Activity Appropriation</b>	<b>6,011,000</b>	<b>5,634,000</b>	<b>6,358,000</b>	<b>347,000</b>
FTE	0	0	0	0

NOTE: FY 2012 reflects actual FTE.

### **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 33,000,000 workers and retirees in some 24,000 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**

<b><u>Fiscal Year</u></b>	<b><u>Funding</u></b> (Dollars in Thousands)	<b><u>FTE</u></b>
2009	\$4,722,000	0
2010	\$5,823,000	0
2011	\$6,009,000	0
2012	\$6,011,000	0
2013	\$5,634,000	0

## SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2012 Revised Enacted</b>		<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>Single Employer Program Benefit Payments</b>				
<b>Strategic Goal 4 - Secure health benefits and, for those not working, provide income security.</b>				
<b>Outcome Goal 4.3 - Improve health benefits and retirement security for all workers.</b>				
<b>Workload Indicator: Number of Plans</b>				
Retirees receiving monthly benefit checks	790,689	836,000[r]	852,151[e]	911,017[e]

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

# **SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS**

## **Workload Summary**

The number of retirees receiving checks has traditionally increased an average of 4 percent each year.



# SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

## CHANGES IN FY 2014

(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
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Other goods and services from Federal sources	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** **\$347,000**

**Direct FTE** **0**

	Estimate	FTE
<b>Base</b>	<b>\$6,011,000</b>	<b>0</b>
<b>Program Increase</b>	<b>\$347,000</b>	<b>0</b>

NOTE: Base reflects actual FY 2012 FTE.



## MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2012 Revised Enacted</b>	<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>	<b>Diff. FY 14 Request / FY 12 Rev. Enacted</b>
<b>Activity Appropriation</b>	<b>123,000</b>	<b>118,000</b>	<b>115,000</b>	<b>-8,000</b>
FTE	0	0	0	0

NOTE: FY 2012 reflects actual FTE.

### **Introduction**

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

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

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

<b><u>Fiscal Year</u></b>	<b><u>Funding</u></b> (Dollars in Thousands)	<b><u>FTE</u></b>
2009	\$97,000	0
2010	\$101,000	0
2011	\$131,000	0
2012	\$123,000	0
2013	\$118,000	0

## MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

<b>DETAILED WORKLOAD AND PERFORMANCE</b>				
	<b>FY 2012 Revised Enacted</b>		<b>FY 2013 Full Year C.R.</b>	<b>FY 2014 Request</b>
	<b>Target</b>	<b>Result</b>	<b>Target</b>	<b>Target</b>
<b>Multi-Employer Program Financial Assistance</b>				
<b>Strategic Goal 4 - Secure health benefits and, for those not working, provide income security.</b>				
<b>Outcome Goal 4.3 - Improve health benefits and retirement security for all workers.</b>				
<b>Workload: Number of Plans</b>				
Multiemployer plans receiving financial assistance	60	49[r]	62[e]	72[e]

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

# MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

## Workload Summary

PBGC anticipates substantial but as yet not quantified workload increases within the Multiemployer Program during FY 2013 and FY 2014. Many large multiemployer pension plans are seriously underfunded and could need financial assistance in the near future.



# MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

## CHANGES IN FY 2014

(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
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Other goods and services from Federal sources	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

	<b>Estimate</b>	<b>FTE</b>
<b>Base</b>	<b>\$123,000</b>	<b>0</b>
<b>Program Decrease</b>	<b>-\$8,000</b>	<b>0</b>

NOTE: Base reflects actual FY 2012 FTE.