

FY 2011

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 31 U.S.C. 9104, as may be necessary in carrying out the program, including associated administrative expenses, through September 30, [2010] *2011*, for the Corporation: Provided, That none of the funds available to the Corporation for fiscal year 2011 shall be available for obligations for administrative expenses in excess of [\$464,067,000] *\$466,301,000*: Provided further, That to the extent that the number of new plan participants in plans terminated by the Corporation exceeds 100,000 in fiscal year [2010] *2011*, an amount not to exceed an additional \$9,200,000 shall be available through September 30, [2011] *2012* for obligation for administrative expenses for every 20,000 additional terminated participants: Provided further, That an additional \$50,000 shall be made available through September 30, [2011] *2012* for obligation for investment management fees for every \$25,000,000 in assets received by the Corporation as a result of new plan terminations or asset growth, after approval by the Office of Management and Budget and notification of the Committees on Appropriations of the House of Representatives and the Senate: Provided further, That obligations in excess of the amounts provided in this paragraph may be incurred for unforeseen and extraordinary pre-termination expenses after approval by the Office of Management and Budget and notification of the Committees on Appropriations of the House of Representatives and the Senate.

[Department of Labor Appropriations Act, 2010]

PENSION BENEFIT GUARANTY CORPORATION

EXPLANATION OF LANGUAGE CHANGE

PBGC is not requesting appropriations language changes for FY 2011.

PENSION BENEFIT GUARANTY CORPORATION

ANALYSIS OF APPROPRIATION LANGUAGE

PBGC is not requesting changes in appropriations language for FY 2011.

PENSION BENEFIT GUARANTY CORPORATION

AMOUNTS AVAILABLE FOR OBLIGATION								
(Dollars in Thousands)								
	FY 2009 Enacted		Recovery Act		FY 2010 Enacted		FY 2011 Request	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	0	0	0	0	0	0	0
Program Activities	0	0	0	0	0	0	0	0
Single-Employer Program								
Benefit Payments	0	4,722,000	0	0	0	5,823,000	0	6,677,000
Multiemployer Program								
Financial Assistance	0	97,000	0	0	0	101,000	0	102,000
Administrative Activities	0	0	0	0	0	0	0	0
Pension Insurance Operations	216	70,590	0	0	216	86,412	216	71,896
Pension Plan Termination	340	232,337	0	0	350	234,005	350	249,408
Operational Support	372	141,795	0	0	375	143,650	376	144,997
Total Appropriation Excluding Accruals	928	5,263,722	0	0	941	6,388,067	942	7,245,301
Comparative Transfer To:	0	0	0	0	0	0	0	0
Comparative Transfer From:	0	0	0	0	0	0	0	0
Offsetting Collections From:	0	0	0	0	0	0	0	0
Interest on Federal Securities	0	976,000	0	0	0	1,000,000	0	853,000
Premium Receipts	0	1,527,000	0	0	0	1,721,000	0	3,261,000
Benefit Payment Reimbursements	0	2,644,000	0	0	0	3,307,000	0	3,738,000
Subtotal, Offsetting Collections From	0	5,147,000	0	0	0	6,028,000	0	7,852,000
Administrative Expenses	0	444,722	0	0	0	464,067	0	466,301
Unobligated Balances Carried Forward, Start of Year	0	0	0	0	0	0	0	0
EFAST2 Expense to EBSA	0	0	0	0	0	0	0	0
Subtotal, Administrative Expenses	0	444,722	0	0	0	464,067	0	466,301
B. Gross Budget Authority	928	10,855,444	0	0	941	12,880,134	942	15,563,602
Offsetting Collections To:	0	0	0	0	0	0	0	0
Interest on Federal Securities	0	-976,000	0	0	0	-1,000,000	0	-853,000
Premium Receipts	0	-1,527,000	0	0	0	-1,721,000	0	-3,261,000
Benefits Payment Reimbursements	0	-2,644,000	0	0	0	-3,307,000	0	-3,738,000
Administrative Expenses	0	-444,722	0	0	0	-464,067	0	-466,301
Subtotal, Offsetting Collections To	0	-5,591,722	0	0	0	-6,492,067	0	-8,318,301
C. Obligating Authority Before Committee	928	5,263,722	0	0	941	6,388,067	942	7,245,301
D. Total Budgetary Resource	928	5,263,722	0	0	941	6,388,067	942	7,245,301
Unobligated Balances Carried Forward, End of Year	0	0	0	0	0	0	0	0
Unobligated Balance Expiring	0	0	0	0	0	0	0	0
E. Total, Estimated Obligations	928	5,263,722	0	0	941	6,388,067	942	7,245,301

PENSION BENEFIT GUARANTY CORPORATION

SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2010 Enacted	FY 2011 Request	Net Change
Obligational Authority			
Program	5,924,000	6,779,000	+855,000
Administrative	464,067	466,301	+2,234
Total	6,388,067	7,245,301	+857,234
Full Time Equivalents			
Program	0	0	0
Administrative	941	942	+1
Total	941	942	+1

Explanation of Change	FY 2010 Base		Administrative Activities		FY 2011 Change Program Activities		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	941	102,119	0	1,457	0	0	0	1,457
Personnel benefits	0	25,472	0	486	0	0	0	486
Travel and transportation of persons	0	1	0	0	0	0	0	0
Transportation of things	0	1,818	0	0	0	0	0	0
All Other Rental	0	27,946	0	391	0	0	0	391
Communications, utilities, and miscellaneous charges	0	5,930	0	0	0	0	0	0
Printing and reproduction	0	498	0	0	0	0	0	0
Advisory and assistance services	0	73,048	0	0	0	0	0	0
Other services	0	214,244	0	0	0	0	0	0
Other purchases of goods and services from Government accounts	0	1,493	0	0	0	0	0	0
Supplies and materials	0	2,773	0	0	0	0	0	0
Equipment	0	8,725	0	0	0	0	0	0
Built-Ins Subtotal	941	464,067	0	2,334	0	0	0	2,334
B. Program:								
Financial Assistance	0	101,000	0	0	0	1,000	0	1,000
Large Influx of New Plan Participants	350	234,708	0	14,700	0	0	0	14,700
Office of Inspector General Request	25	5,798	1	200	0	0	1	200
Single Employer Program Benefits	0	5,823,000	0	0	0	854,000	0	854,000
Programs Subtotal			+1	+14,900	0	+855,000	+1	+869,900
C. Financing:								
Improving Employee Satisfaction and Wellness	941	127,944	0	2,445	0	0	0	2,445
Financing Subtotal			0	+2,445	0	0	0	+2,445

PENSION BENEFIT GUARANTY CORPORATION

Explanation of Change	FY 2010 Base		Administrative Activities		FY 2011 Change Program Activities		Total	
Total Increase	+941	+464,067	+1	+19,679	0	+855,000	+1	+874,679
Decreases:								
A. Built-Ins:								
To Provide For:								
Built-Ins Subtotal	0	0	0	0	0	0	0	0
B. Program:								
Decrease Financial Advisory Services Request	0	31,103	0	-15,000	0	0	0	-15,000
Programs Subtotal			0	-15,000	0	0	0	-15,000
C. Financing:								
To Realign Resources for HR Programs	0	214,244	0	-2,445	0	0	0	-2,445
Financing Subtotal			0	-2,445	0	0	0	-2,445
Total Decrease	0	0	0	-17,445	0	0	0	-17,445
Total Change	+941	+464,067	+1	-2,234	0	+855,000	+1	+857,234

PENSION BENEFIT GUARANTY CORPORATION

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY

(Dollars in Thousands)

	FY 2009 Enacted		Recovery Act		FY 2010 Enacted		FY 2011 Request	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Pension Insurance	216	70,590	0	0	216	86,412	216	71,896
Administrative	216	70,590	0	0	216	86,412	216	71,896
Pension Plan Termination and Benefits Administration	340	232,337	0	0	350	234,005	350	249,408
Administrative	340	232,337	0	0	350	234,005	350	249,408
Operational Support	372	141,795	0	0	375	143,650	376	144,997
Administrative	372	141,795	0	0	375	143,650	376	144,997
Single Employer Program Benefit Payments	0	4,722,000	0	0	0	5,823,000	0	6,677,000
Program	0	4,722,000	0	0	0	5,823,000	0	6,677,000
Multi-Employer Program Financial Assistance	0	97,000	0	0	0	101,000	0	102,000
Program	0	97,000	0	0	0	101,000	0	102,000
Total	928	5,263,722	0	0	941	6,388,067	942	7,245,301
Program	0	4,819,000	0	0	0	5,924,000	0	6,779,000
Administrative	928	444,722	0	0	941	464,067	942	466,301

NOTE: FY 2009 reflects authorized FTE.

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BUDGET AUTHORITY BY OBJECT CLASS						
(Dollars in Thousands)						
		FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	Change FY 11 Req. / FY 10 Enacted
	Full-Time Equivalent					
	Total Number of Full-time Permanent Positions	965	0	989	990	1
	Full-time Permanent	898	0	911	912	1
	Other	30	0	30	30	0
	Average ES Salary	162,900	0	166,158	168,484	2326.2
	Average GM/GS Grade	12.1	0	12.1	12.1	0
	Average GM/GS Salary	93,527	0	95,397	96,733	1335.6
11.1	Full-time permanent	95,862	0	97,896	99,440	1544
11.3	Other than full-time permanent	1,550	0	1,564	1,564	0
11.5	Other personnel compensation	2,608	0	2,659	4,780	2121
11.9	Total personnel compensation	100,020	0	102,119	105,784	3665
12.1	Civilian personnel benefits	25,048	0	25,472	26,311	839
21.0	Travel and transportation of persons	1,808	0	1,818	1,818	0
22.0	Transportation of things	1	0	1	1	0
23.2	Rental payments to others	27,798	0	27,946	28,337	391
23.3	Communications, utilities, and miscellaneous charges	5,899	0	5,930	5,930	0
24.0	Printing and reproduction	495	0	498	498	0
25.1	Advisory and assistance services	72,661	0	73,048	73,048	0
25.2	Other services	198,067	0	214,244	211,499	-2745
25.3	Other purchases of goods and services from Government accounts 1/	1,488	0	1,493	1,577	84
26.0	Supplies and materials	2,758	0	2,773	2,773	0
31.0	Equipment	8,679	0	8,725	8,725	0
33.0	Investments and Loans	97,000	0	101,000	102,000	1000
42.0	Insurance claims and indemnities	4,722,000	0	5,823,000	6,677,000	854000
	Total	5,263,722	0	6,388,067	7,245,301	857,234
	1/Other Purchases of Goods and Services From Government Accounts					
	Services by Other Government Departments	1,488	0	1,493	1,577	84

NOTE: FY 2009 reflects authorized FTE.

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TOTAL BUDGETARY RESOURCES													
FY 2009 - 2011													
(Dollars in Thousands)													
	FY 2009 Enacted				Recovery Act	FY 2010 Enacted				FY 2011 Request			
	Activity Approp.	Other Approp. ^{1/}	Other Resrcs. ^{2/}	Total		Activity Approp.	Other Approp. ^{1/}	Other Resrcs. ^{2/}	Total	Activity Approp.	Other Approp. ^{1/}	Other Resrcs. ^{2/}	Total
Pension Benefit Guaranty Corporation	5,263,722	0	0	5,263,722	0	6,388,067	0	0	6,388,067	7,245,301	0	0	7,245,301
Pension Insurance	70,590	0	0	70,590	0	86,412	0	0	86,412	71,896	0	0	71,896
Pension Plan Termination and Benefits Administration	232,337	0	0	232,337	0	234,005	0	0	234,005	249,408	0	0	249,408
Operational Support	141,795	0	0	141,795	0	143,650	0	0	143,650	144,997	0	0	144,997
Single Employer Program Benefit Payments	4,722,000	0	0	4,722,000	0	5,823,000	0	0	5,823,000	6,677,000	0	0	6,677,000
Multi- Employer Program Financial Assistance	97,000	0	0	97,000	0	101,000	0	0	101,000	102,000	0	0	102,000
Total	5,263,722	0	0	5,263,722	0	6,388,067	0	0	6,388,067	7,245,301	0	0	7,245,301

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

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

PENSION BENEFIT GUARANTY CORPORATION

SUMMARY OF PERFORMANCE

Each of the Pension Benefit Guaranty's Budget Activities contribute to the Outcome Goal *Improving health benefit and retirement security for all workers* in support of the Department of Labor's Strategic Vision of *Good Jobs for Everyone* by: 1) safeguarding the federal pension system; 2) providing exceptional service to customers and stakeholders; and 3) exercising effective and efficient stewardship of PBGC resources.

	FY 2009		FY 2010	FY 2011
	Target	Result	Target	Target
Customer Satisfaction score for premium filers	70	72	71	72
Customer Satisfaction score for responding to trustee plan participant callers	80	82	80	81
Customer Satisfaction score for retirees receiving benefits from PBGC	85	88	85	85
Average time (years) to complete issuing all benefit determinations in a plan*			Baseline	NA

*NOTE: In FY2010, PBGC will change the measure from the average time it takes to issue benefit determinations (BDs) to participants to the average time it takes to complete issuing all BDs in a plan. This promotes an equal treatment of all plans and more efficient handling of participants.

PENSION BENEFIT GUARANTY CORPORATION

SIGNIFICANT ITEMS IN APPROPRIATION COMMITTEES' REPORTS

There are no significant items for PBGC in the Report accompanying the FY 2010 Appropriations bill.

PENSION BENEFIT GUARANTY CORPORATION

AUTHORIZING STATUTES

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

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APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2001....1/	176,500	176,500	176,500	190,576	754
2002....2/	189,880	189,880	189,880	227,162	754
2003....3/	192,894	192,894	192,894	270,504	752
2004....4/	228,772	228,772	228,772	3,265,626	806
2005....5/	266,330	266,330	266,330	3,614,556	851
2006....6/	296,978	296,978	296,978	5,024,649	870
2007....7/	397,645	397,645	397,645	5,395,390	870
2008	411,151	411,151	411,151	5,017,151	870
2009....8/	444,722	444,722	444,722	5,263,722	928
2010	464,067	464,067	464,067	6,388,067	941
2011	466,301	0	0	0	942

1/ FY 2001 reflects reapportionments for a total of \$14,076,000 due to unexpected increased workload.

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

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

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

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

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

7/ FY 2007 reflects reapportionments for a total of \$7,746,000 due to unexpected increased workload.

8/ This bill was only reported out of Subcommittee and was not passed by the Full House.

PENSION BENEFIT GUARANTY CORPORATION

OVERVIEW

Introduction

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) was created by the Employee Retirement Income Security Act of 1974 (ERISA) to encourage the continuation and maintenance of private-sector defined benefit pension plans, provide timely and uninterrupted payment of pension benefits, and keep pension insurance premiums at a minimum. Defined benefit pension plans promise to pay a specified monthly benefit at retirement, commonly based on salary and years on the job.

PBGC insures basic pension benefits of nearly 44,000,000 American workers and retirees participating in 29,000 private-sector defined benefit plans – providing benefit payments of about \$4,478,000,000 annually and management of more than \$68,736,000,000 in total assets. PBGC is responsible for administering two insurance programs – the single-employer program and the multi-employer program.

In the *single-employer* program, PBGC pays benefits guaranteed by law for private sector, single employer defined benefit pension plans when plans close with insufficient assets to pay future benefits. Under the single-employer program, PBGC protects the pensions of some 33,600,000 workers in 28,000 plans. PBGC pays monthly retirement benefits to about 743,740 retirees in 4,000 pension plans that ended without sufficient assets to pay promised benefits. Including those who have not yet retired and participants in multiemployer plans receiving financial assistance, PBGC is responsible for the current and future pensions of about 1,476,000 people.

Under the *multiemployer* program, PBGC protects the pension benefits of about 10,000,000 people covered by 1,500 multiemployer plans. In this program, PBGC provides repayable loans to multiemployer plans (i.e., plans sponsored by several firms and a union) so that they can continue to pay benefits.

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

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

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

Mission and Vision: The PBGC safeguards the retirement security of the American people by guaranteeing benefits for those covered by insured defined benefit pensions.

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Guiding Principle: The PBGC is a performance-based organization that values professionalism, integrity, high ethical standards, and accuracy in all of its work.

PBGC's strategic plan for fiscal years 2008 through 2013 is founded on three goals:

1. The PBGC will safeguard the federal pension insurance system for the benefit of participants, plan sponsors, and other stakeholders.
2. The PBGC will provide exceptional service to customers and stakeholders.
3. The PBGC will exercise effective and efficient stewardship of PBGC resources.

The strategic plan identifies key activities that carry out the agency's mission. It provides the overarching framework for achievement of agency priorities and allocation of its resources. It identifies the key outcomes and strategies that will be used to achieve these goals and the key indicators of success. The strategic goals and desired outcomes are communicated to employees and stakeholders through the internet and intranet, staff meetings, and individual leadership.

The economic crisis has a direct impact on PBGC's financial status, workload, and infrastructure needs over the next two to five years. The PBGC posted a \$21,950,000,000 deficit for FY 2009. The deficit represents an increase over FY 2008's \$11,000,000,000 shortfall, and is the largest in the agency's 35-year history. The increase is driven primarily by a drop in interest rates and by plan terminations, not by investment losses. While the PBGC has sufficient funds to meet its benefit obligations for many years to come, over the long term, the deficit must be addressed.

The Insurance Program Office (IPO), which contains the Corporation's early warning and risk management functions, is facing the following effects of the current economic crisis:

- PBGC's loss exposure to reasonably possible terminations (e.g., underfunded plans sponsored by companies with credit ratings below investment grade) at approximately \$168,000,000,000 on September 30, 2009, up more than three-fold from \$47,000,000,000 one year earlier. This exposure is concentrated in several sectors of the economy: manufacturing (primarily automobile/auto parts and primary and fabricated metals), transportation (primarily airlines), services, and wholesale and retail trade.
- Several sponsors of large plans have filed for bankruptcy or come under other federal supervision or rehabilitation proceedings. Bankruptcy filings involving sponsors of PBGC-insured pension plans were up nearly threefold in FY 2009 and are expected to continue at a high level as corporate defaults continue.
- The volume and complexity of IPO's actuarial, financial, and legal work is increasing substantially (e.g., many new bankruptcies involve large companies with global operations).
- Large plan terminations are expected to increase substantially as a result of the economic crisis, and in those cases, PBGC will pursue recoveries to mitigate losses.

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The Pension Plan Termination and Benefit Payment Operation is also facing an increase in workload due to the economic crisis:

- Plan terminations could well exceed our normal expectations of 110 plans and 100,000 participants and represent significantly complex plans with very rich benefits that will have higher than normal benefit reductions.

Large Plan Terminations in FY 2009

PBGC assumed responsibility for more than 200,000 participants (including 70,000 Delphi, 23,000 Nortel and 11,000 Metaldyne participants since August 10, 2009) in FY 2009.

PBGC has used available FY 2009 appropriations authority to fund field benefit administration contracts within the Benefits Administration and Payment Department (BAPD) starting in August 2009 and extending into FY 2010. The Corporation anticipates these funds and the FY 2010 budget will be sufficient to cover benefit determination costs for these individuals in FY 2010. However, the benefits determination process for plan participants absorbed in FY 2009 is expected to extend through FY 2011 and into FY 2012. **Consequently the Corporation is requesting \$14,700,000 in FY 2011 to address this additional workload**

DOL Strategic Goal Contribution

PBGC has three goals that support the Secretary of Labor's vision of *good jobs for everyone* which includes "improving health benefit and retirement security for all workers." Those are: 1) Safeguard the federal pension insurance system for the benefit of participants, plan sponsors, and other stakeholders; 2) Provide exceptional service to customers and stakeholders; and 3) Exercise effective and efficient stewardship of PBGC resources.

Performance Summary

PBGC has five performance measures supporting the Agency's goals. Three of these indicators are based on customer satisfaction scores for premium filers, trustee plan participant callers, and retirees recently placed in pay status from PBGC. The fourth indicator measures the timeliness of completing benefit determinations in plans trustee by PBGC. These measures demonstrate the service PBGC provides to its customers and stakeholders. A fifth measure, average cost per participant in trustee plans at year end, is used internally at the PBGC to monitor its spending on trustee plans. Together, these measures demonstrate PBGC's commitment to service and stewardship of the federal pension system.

In FY 2011, PBGC will strive to sustain performance at the FY 2009 level. As noted above in Agency Outcome Goals Supporting "Good Jobs for Everyone," PBGC aims to maintain exceptional service despite the financial and workload challenges presented by the economic crisis. In FY 2009, PBGC took steps to prepare for the possible trusteeship of large auto industry plans and defining the infrastructure needed to support such large terminations. The infrastructure includes contracts with our paying agent, field benefits administration offices, actuarial firms, and customer contact center as well as additional federal staff, and space and

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equipment. In addition, PBGC's technology systems have been assessed, including their capacity to handle workload increases. These steps demonstrate PBGC's commitment to exercising good stewardship over the Agency's resources.

The assessment points to the need to create an information technology infrastructure that effectively supports our mission. PBGC's IT infrastructure is complex and aging, which creates inefficiencies. It is also unreliable and lacks basic performance data and security controls. Upgrades are planned for FY 2010, and will carry through to FY 2012. These upgrades will strengthen PBGC's operational support and enable it to better manage and deliver online services and improve communication with external customers through the internet. PBGC also is using technology to increase accountability and transparency to employees and customers.

Employee Satisfaction Action Plan

PBGC has prepared its Employee Satisfaction Action plan for improving employee satisfaction.

In developing the action plan, PBGC considered the following in selecting areas for improvement:

1. Items that scored the lowest compared to the rest of government,
2. Items that decreased since the 2006 Federal Human Capital Survey (FHCS); and
3. Human Capital Assessment and Accountability Framework (HCAAF) indices where PBGC scored lower than the rest of government.

PBGC has already begun to implement specific actions focused on improving leadership and performance, with a major emphasis on communication and accountability. Employee focus groups were held to assess the survey results and identify reasons for dissatisfaction. PBGC believes it can positively influence these results and has prepared an action plan to address them. Progress will be regularly monitored and frequent updates provided to managers and employees. This action plan is part of a continuous improvement process. To address the specific requirements in the OPM August 19, 2009 memorandum *Guidance on Employee Satisfaction Action Planning*, PBGC management revisited the 2008 survey results and expanded its plan to address additional areas, as spelled out in this guidance.

PENSION BENEFIT GUARANTY CORPORATION

<i>PBGC Employee Satisfaction Action Plan</i>				
<i>Objective</i>	<i>Action items</i>	<i>Responsibility</i>	<i>Measures and Reports</i>	<i>Action Plan Progress to Date</i>
Improve leadership performance and accountability	Implement performance management program	Director of Human Resources	<ul style="list-style-type: none"> • % of timely/complete Performance Reviews reported • Internal satisfaction survey results • Annual Employee Viewpoint survey results 	<ul style="list-style-type: none"> • Implemented program in October 2008 • Ongoing training for both managers and employees • 2 interim reviews have been completed
	Implement leadership coaching and developmental programs	Director of Human Resources and General Counsel for ethics	<ul style="list-style-type: none"> • Number of leaders in coaching program • Number of developmental programs • Annual Employee Viewpoint survey results • Identify targeted “leadership” classes that flow from corporate culture 	<ul style="list-style-type: none"> • Developed coaching program in January 2009 • Coaching orientation held July 2009 • Advanced Leadership Development program designed in 2008 (awaiting approval and release) • Developed Intermediate Leadership Development program designed in 2008 (awaiting approval and release) • Senior management ethics training completed February
	Improve training and education offerings for employees	Director of Human Resources	<ul style="list-style-type: none"> • Develop competency models and complete analysis of competencies by Q4 FY 2010 • Annual Employee Viewpoint survey results 	<ul style="list-style-type: none"> • Identifying competency requirements

PENSION BENEFIT GUARANTY CORPORATION

<i>PBGC Employee Satisfaction Action Plan</i>				
	PBGC management improve employee satisfaction	Chief Management Officer	<ul style="list-style-type: none"> • Improve employee fitness center • Reinvigorate Employee Recreation Association • Annual Employee Viewpoint survey results 	<ul style="list-style-type: none"> • Effective October 1, renovations and equipment replacement will begin • Chief Management Officer providing executive sponsorship for Recreation Association
Enhance internal communication	Establish an employee suggestion program	Director Communication & Public Affairs	<ul style="list-style-type: none"> • % of employee suggestions proposed/number of suggestions implemented • Annual Employee Viewpoint survey results 	<ul style="list-style-type: none"> • Program being developed
	Update and maintain the PBGC intranet	Director Communication & Public Affairs	<ul style="list-style-type: none"> • % of functions updated • Internal satisfaction survey results • Annual Employee Viewpoint survey results 	<ul style="list-style-type: none"> • Employee on-line directory released October 2008 • Web resources hired October 2008 • Internal customer survey scheduled for Q1 FY 2010
	Establish a fixed schedule for employee communications	Executive Management Committee	<ul style="list-style-type: none"> • Number of employee communication opportunities • Number of regular web casts • Internal satisfaction survey results • Annual Employee Viewpoint survey results 	<ul style="list-style-type: none"> • PBGC newsletter issued communicating PBGC priorities and roles of executive management committee • Q2 FY 2009 web cast completed • 2008 employee satisfaction survey results communicated in Q2

PENSION BENEFIT GUARANTY CORPORATION

Cost Model

The FY 2011 administrative operating budget (\$466,301,000) is comprised of three activities:

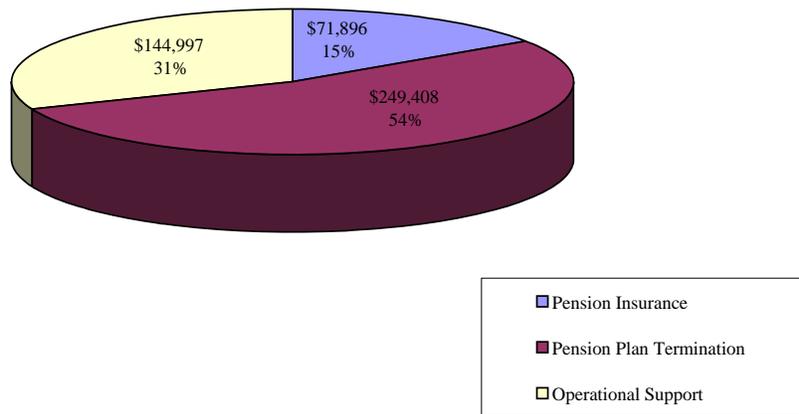
- Pension Insurance (\$71,896,000 and 216 FTE) includes such functions as the collection and investment of premiums; monitoring, negotiating and litigating protections for participants in endangered plans; prosecuting claims recoveries in terminated plans; and assisting plan practitioners in their dealings with the Corporation.
- Pension Plan Termination and Benefits Administration (\$249,408,000 and 350 FTE) 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 (\$177,959,000); and trust fund investment management fees (\$71,449,000).
- Operational Support (\$144,997 and 376 FTE) includes the vast range of activities necessary to keep the Corporation working, including facilities, information technology, and other administrative services such as accounting, budget, strategic planning and human resources management.

PBGC's Agency Request assumes:

- A reduction of \$15,000,000 – PBGC's FY 2010 budget included a non-recurring program increase of \$15,000,000 for financial advisory services to support the Department of Insurance Supervision and Compliance. This amount was provided as a one-time increase in FY 2010 to meet the increase in workload due to economic conditions.
- An increase of \$2,334,000 to reflect the allowance from OMB for employee pay, benefits and other inflation adjusted items.
- An increase of \$14,700,000 to cover the FY 2011 costs of the benefit determination process related to several very large pension plans that terminated late in FY 2009.
- An increase of \$200,000 to support audit, investigations, training and 1 additional FTE in the Office of the Inspector General (OIG).

PENSION BENEFIT GUARANTY CORPORATION

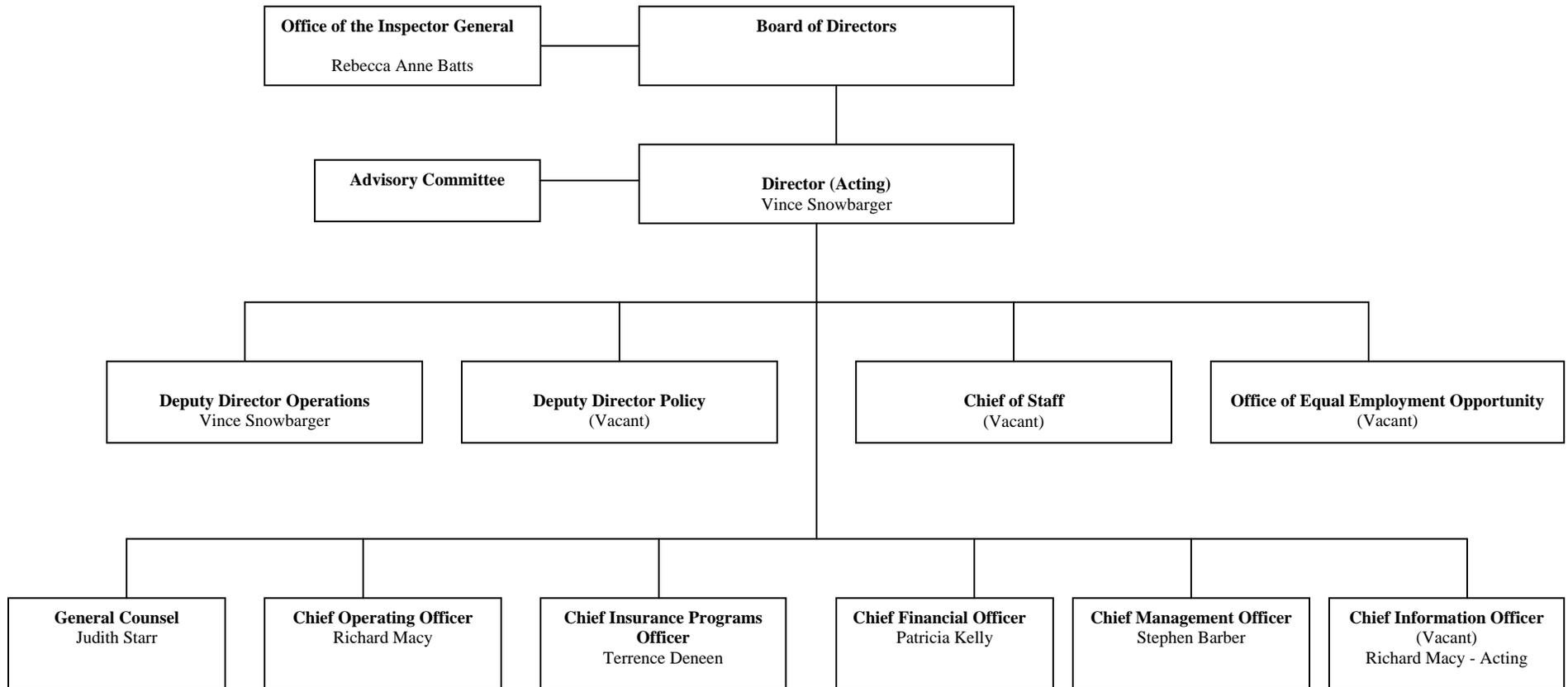
FY 2011 PBGC Budget by Activity
Total = \$466,301
(Dollars in thousands)



Pension Insurance	\$71,896	15%
Pension Plan Termination	\$249,408	54%
Operational Support	\$144,997	31%
Total	\$466,301	

Includes \$73,048 for Investment Management Activities

PENSION BENEFIT GUARANTY CORPORATION



PENSION INSURANCE

BUDGET AUTHORITY BEFORE THE COMMITTEE					
(Dollars in Thousands)					
	FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	Diff. FY 11 Req. / FY 10 Enacted
Activity Appropriation	70,590	0	86,412	71,896	-14,516
FTE	216	0	216	216	0

NOTE: FY 2009 reflects actual FTE. Authorized FTE for FY 2009 was 216

Introduction

The Pension Insurance Activity is comprised of work directly associated with pension insurance for *new and ongoing* plans. The functions of this activity include risk assessment and management, loss prevention, technical assistance to existing plans, promotion of new plans, and the collection and investment 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. These activities support DOL’s goal of “improving health benefit and retirement security for all workers.”

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2006	70,186	215
2007	80,357	211
2008	68,285	211
2009	70,590	216
2010	86,412	216

NOTE: Excludes Recovery Act Funding. See budget activity head table.

FY 2011

By the end of FY 2009, plan sponsor bankruptcies were up nearly threefold over FY 2008. Of the 135 new bankruptcy cases filed in FY 2009, 42 were large cases (more than \$50,000,000 in underfunding or more than 5,000 plan participants). PBGC expects its bankruptcy and risk mitigation workload will continue at high volumes, complexity, and pace through FY 2011.

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

PENSION INSURANCE

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

In FY 2011 this Activity will: 1) analyze credit, investment, and actuarial risks to the pension insurance programs and build and improve risk models to quantify and measure the impact of these risks to the insurance programs; 2) automate the collection and integration of external and internal information to enhance analyses of pension plans and plan sponsors' financial condition; 3) continue coordination with Treasury and DOL in responding to risks that reach across organizational boundaries; 4) continue vigorous bankruptcy litigation efforts; 5) explore, develop, and implement incentives/settlements to prevent plan sponsor initiated terminations and maximize recoveries; and 6) promulgate regulations that are understandable, flexible, relevant, and not unduly burdensome.

Background

PBGC is a Federal Government corporation that insures the retirement incomes of the more than 44,000,000 Americans in defined benefit pension plans. Under current law, the gap between PBGC's assets and liabilities (currently \$21,950,000,000) is expected to grow over the next ten years. Large pension plan defaults over the past few years have considerably worsened the position of the PBGC and added a large number of beneficiaries to PBGC's rolls. PBGC is now responsible for paying the benefits of 1,476,000 workers and retirees. PBGC premiums are currently far lower than what a private financial institution would charge for insuring the same risk. The corporation's deficit at 2009 year-end is an \$11,000,000,000 increase from 2008 and its financial sustainability is threatened by its long-term exposure to loss and a flawed funding system.

FY 2010

PBGC expects that the effects of the economic crisis will continue to unfold within the area of insured pension plans and will continue to affect both the single and multiemployer insurance programs. Thus, the Corporation expects a continuing need for increased resources for actuarial services, financial analysis, and legal services.

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

PENSION INSURANCE

FY 2009

In 2009, PBGC experienced the impact of the global economic crisis in two ways: many plan sponsors found themselves unable to make contributions to the pension plans they sponsor and many sought protection under the U.S. Bankruptcy code. Indeed, PBGC's bankruptcy caseload increased by nearly threefold in 2009 over 2008. PBGC's analyses of five industry sectors – auto, retail, health care, financial, and newspaper – took on greater significance as the impact of the economic crisis was layered into them. Likewise, PBGC's efforts to protect pension plans affected by certain corporate downsizing events under ERISA section 4062(e) became more intensive with higher rates of business closures and increased levels of pension underfunding. Each of these activities – bankruptcies, industry studies, and the 4062(e) program – require substantial actuarial, legal, and financial support from both federal staff and contractors.

In 2009, PBGC continued to develop regulations, policies and guidance to implement the Pension Protection Act of 2006 (PPA) provisions that strengthen the pension insurance program. Regulations completed provide guidance on disclosure of plan termination information to participants, reporting of plan financial status, and withdrawal liability for multiemployer plans. Several other regulations related to PPA are in various stages of development and are expected to be completed in FY 2010 and FY 2011.

PENSION INSURANCE

WORKLOAD SUMMARY				
	FY 2009		FY 2010	FY 2011
	Target	Result	Target	Target
Pension Insurance				
Workload A: (Units)				
Reportable Events Received	1,000	1,206	1,200 (e)	1,200 (e)
Transactions Identified	700	790	790 (e)	790 (e)
Transactions Investigated	160	180	180 (e)	180 (e)
Cases in Count/Litigation	80	51	50 (e)	50 (e)
New Bankruptcy Cases (Controlled Groups)	146	135	135 (e)	135 (e)
Multiemployer Plans Receiving Financial Assistance	45	43	49 (e)	57 (e)
Workload B: (Dollars)				
Premiums Collected	\$1,527,000.00	\$1,523,000.00	\$2,587,000.00	\$3,261,000.00
Revolving Fund Investment Portfolio	\$15,354,000.00	\$15,638,000.00	\$15,452,000.00	\$16,975,000.00

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

* The large increase in projected premium collections between FY 2010 and FY 2011 reflects the expiration of relief provisions granted under the Worker, Retiree and Employer Recovery Act of 2008.

Workload Summary

The general trends and challenges facing the Pension Insurance area of the Corporation are those that face the Corporation as a whole – economic decline affecting plan sponsors and overall critical underfunding of defined benefit pension plans. The need for proactive financial and actuarial analysis, coupled with a skilled combination of litigation and negotiation activities, remains critical to the Corporation’s success in safeguarding America’s defined benefit pension plans.

In 2009, PBGC continued to develop regulations, policies and guidance to implement the Pension Protection Act of 2006 (PPA) provisions that strengthen the pension insurance program. Regulations completed provide guidance on disclosure of plan termination information to participants, reporting of plan financial status, and withdrawal liability for multiemployer plans. Several other regulations related to PPA are in various stages of development and are expected to be completed in FY 2010 and FY 2011.

PENSION INSURANCE

BUDGET ACTIVITY by OBJECT CLASS						
(Dollars in Thousands)						
		FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	FY 11 Req. / FY 10 Enacted
11.1	Full-time permanent	23,400	0	23,874	24,237	363
11.3	Other than full-time permanent	450	0	454	454	0
11.5	Other personnel compensation	731	0	745	1,451	706
11.9	Total personnel compensation	24,581	0	25,073	26,142	1,069
12.1	Civilian personnel benefits	5,787	0	5,907	6,028	121
21.0	Travel and transportation of persons	349	0	351	351	0
23.3	Communications, utilities, and miscellaneous charges	107	0	108	108	0
24.0	Printing and reproduction	40	0	40	40	0
25.1	Advisory and assistance services	1,591	0	1,599	1,599	0
25.2	Other services	37,401	0	52,597	36,891	-15,706
25.3	Other purchases of goods and services from Government accounts 1/	575	0	577	577	0
26.0	Supplies and materials	128	0	129	129	0
31.0	Equipment	31	0	31	31	0
	Total	70,590	0	86,412	71,896	-14,516
1/Other Purchases of Goods and Services From Government Accounts						
	Services by Other Government Departments	575	0	577	577	0

PENSION INSURANCE

CHANGES IN FY 2011

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments

\$363

Personnel benefits

121

Net Program

-15,000

Estimate

FTE

Base

86,896

216

Program Decrease

-15,000

0

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

BUDGET AUTHORITY BEFORE THE COMMITTEE					
(Dollars in Thousands)					
	FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	Diff. FY 11 Req. / FY 10 Enacted
Activity Appropriation	232,337	0	234,005	249,408	15,403
FTE	340	0	350	350	0

NOTE: FY 2009 reflects actual FTE. Authorized FTE for FY 2009 was 340

Introduction

The Pension Plan Termination and Benefits Administration Activity includes the great 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 and provide financial assistance to multiemployer plans. This budget activity covers all direct costs related to plan termination and trusteeship, benefits administration and Trust Fund investment management. Each of these activities contributes to the DOL goal of “improving health benefit and retirement security for all workers.”

PBGC assumed responsibility for more than 200,000 participants (including 70,000 Delphi, 23,000 Nortel and 11,000 Metaldyne participants since August 10, 2009) in FY 2009. Although the appropriation for FY 2009 provides trigger language allowing the Corporation to obligate an additional \$9,200,000 for every 20,000 new plan participants above 100,000, it restricts the funding availability to the remainder of FY 2009 so FY 2009 trigger funds, if requested, could not be used in FY 2010.

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

The Delphi plans in particular will challenge PBGC because:

- They are old complex plans that have gone through multiple acquisitions and reorganizations;
- There is very poor data for these plans;
- They will require a larger than normal percentage of benefit reductions leading to a higher than normal customer service demand and appeals rate;

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

- The complexity of handling the additional General Motors (GM) "top-off" payments promised to Hourly participants; and
- The very high visibility of these plans will require additional public outreach efforts, reports to Congress and responses to Freedom of Information Act (FOIA) requests.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2006	198,140	335
2007	196,567	335
2008	214,557	335
2009	232,337	340
2010	234,005	350

NOTE: Excludes Recovery Act Funding. See budget activity head table.

FY 2011

By the end of FY 2009, bankruptcy filings were up nearly threefold from FY 2008. Similarly, the number of companies classified as high-risk nearly tripled during FY 2009. Plan terminations are expected to continue at high levels in FY 2010 and FY 2011. During 2010 and 2011, PBGC will focus on sustaining a high-level of performance while handling a heavy influx of plans and participants.

PBGC has used available FY 2009 appropriations authority to fund field benefit administration contracts starting in August 2009 and extending into FY 2010. The Corporation anticipates these funds combined with the FY 2010 budget will be sufficient to cover benefit determination costs for the remainder of FY 2009 and FY 2010. However, the benefits determination process is expected to extend through FY 2011 and possibly into FY 2012. **Consequently the Corporation is requesting \$14,700,000 in FY 2011 to address the additional workload.**

FY 2010

By the end of FY 2008, the Corporation had trusteeed over 3,800 plans and had the responsibility to administer the pensions of over 1,300,000 participants, including more than 630,000 participants that have retired and receive more than \$4,300,000,000 of benefits annually. PBGC entered FY 2009 with 233,000 outstanding final determinations – the lowest number since 2001. During FY 2010, we plan to complete final benefit determinations for several large cases including Bethlehem Steel, United Airlines, US Airways and Collins and Aikman. Our timeliness measure has and will continue to suffer as we complete the work on the largest and most complicated plans that PBGC had ever assumed, until Delphi terminated in August 2009. During this time we will also begin the benefit determination process for Delphi and other plans terminated during FY 2009. In FY 2009, PBGC has assumed responsibility for over 200,000

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

new participants. The benefit determination process for these individuals will extend from FY 2010 through FY 2012. To handle this work load PBGC will:

1. Continue to focus on completing the benefit determination work on our oldest plans to make room for the new ones;
2. Continue to refine and improve processes to increase throughput and quality; and
3. Actively plan for and evaluate alternatives to handle the new work (FY 2009 likely will be the second highest year for participant terminations).

Investment Management

PBGC's investment program is responsible for managing PBGC's assets utilizing private sector investment management firms subject to PBGC's oversight and consistent with the Corporation's investment policy statement approved by its Board of Directors. PBGC also has significant assets that are in transition from newly terminated trustee plans or other special holdings and not subject to PBGC's investment policy. The exact size and composition of PBGC's assets can, and does, vary greatly from year to year depending on the size and composition of assets assumed from terminated pension plans as well as gains or losses in asset value due to fluctuations in the financial markets. In addition, some terminated pension plans may contain alternative assets such as real estate, restricted stock, or derivatives with uncertain value that are difficult to liquidate during volatile market conditions.

FY 2009

PBGC has a priority to issue benefit determinations as early as possible to allow participants to know their future retirement income. We project the result will likely be closer to 4.0 years. Our performance continues to be impacted by several large plans assumed between 2003-2005, requiring more complex benefit calculations. We anticipate this work will be completed in FY 2010. At the same time, we are managing a large influx of plan terminations in FY 2009 and possibly in FY 2010. To better manage this growing workload and achieve the expected outcomes in FY 2010, PBGC is changing the measurement from an average age of BD to an average age of plan completion to: (1) ensure that all participants are handled equitably, regardless of plan and to (2) mute large swings in performance caused by large, complex plans.

PBGC has taken steps to reduce benefit processing time. They include:

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

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

Investment Management

In FY 2009 PBGC established a Corporate Investment Department (CID) within the Office of the Chief Financial Officer as part of an ongoing effort to improve the Corporation's investment management functions. This new department manages the investment funds of the PBGC consistent with legal requirements and the investment policy approved by the PBGC Board. The CID:

1. Supports the PBGC Board in evaluating and establishing investment policy and collaborates with the Investment Advisory Committee in examining all aspects of investment policy and CID operations. This includes, but is not limited to, selection and oversight of asset managers and cash management.
2. Develops and maintains operational investment policies governing all aspect of investment management including, but not limited to, writing investment manager guidelines, and developing cash manager procedures to insure that sufficient cash is available to pay benefits and expenses.
3. Guides asset transfer activities and coordinates those activities with other PBGC departments and division. This includes, but is not limited to, transitioning assets into the PBGC investment portfolio and liquidating assets that do not suit the PBGC Investment Guidelines.
4. Advises the Chief Financial Officer (CFO) on all matters related to investment management of the Revolving Fund and the Trust Fund and the transfer of assets from terminated pension plans to the PBGC.
5. Establishes management processes, oversees implementation of internal controls, and develops resource allocation plans necessary for CID to achieve its mission and operate effectively and efficiently.

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

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

WORKLOAD SUMMARY				
	FY 2009		FY 2010	FY 2011
	Target	Result	Target	Target
Pension Plan Termination and Benefits Administration				
Workload A: Benefit Determinations to be Issued				
Beginning Inventory of Benefits Determinations to be Issued	246,000	233,000	337,000	312,000
Baseline Receipts (New Participants)	100,000	210,000	100,000	100,000
Benefits Determinations Issued	135,000	106,000	125,000	100,000
Ending Inventory	211,000	337,000	312,000	312,000
Workload B: Total Number of Participants				
Total Participants (Beginning of Year)	1,152,000	1,152,000	1,327,000	1,387,000
New Participants (Receipts)	100,000	210,000	100,000	100,000
Subtotal	1,252,000	1,362,000	1,427,000	1,487,000
Less: Lump Sum Payouts, Misc. Adjustments, and Mortality Projections	35,000	35,000	40,000	41,600
Total Participants (End of Year)	1,217,000	1,327,000	1,387,000	1,445,400

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined
***FY 2010 budget was prepared in late 2008 using baseline assumptions of 100,000 new participants per year. Based on plan terminations in FY 2009, PBGC currently expects to take in 130,000 new participants in FY 2010 before returning to target levels in FY 2011.**

Workload Summary

Although there was a sharp increase in the number of new participants in FY 2009, PBGC left the projection at the 100,000 level for FY 2010/11 due to the uncertainty in the economic outlook. As economy recovers, there is a possibility pension plan terminations will return to historical averages.

Trust Fund Investments* (Dollars in Thousands)			
	FY 2009 Actual	FY 2010 Estimate	FY 2011 Estimate
Assets Under Management	\$42,000,000	\$48,000,000	\$59,000,000

* Revolving Funds information excluded from Investments and IMF.

**PENSION PLAN TERMINATION AND BENEFITS
ADMINISTRATION**

BUDGET ACTIVITY by OBJECT CLASS						
(Dollars in Thousands)						
		FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	FY 11 Req. / FY 10 Enacted
11.1	Full-time permanent	32,608	0	33,123	33,612	489
11.3	Other than full-time permanent	550	0	555	555	0
11.5	Other personnel compensation	957	0	976	1,482	506
11.9	Total personnel compensation	34,115	0	34,654	35,649	995
12.1	Civilian personnel benefits	8,235	0	8,355	8,518	163
21.0	Travel and transportation of persons	951	0	956	956	0
23.2	Rental payments to others	3,645	0	3,664	3,715	51
23.3	Communications, utilities, and miscellaneous charges	3,802	0	3,822	3,822	0
24.0	Printing and reproduction	136	0	137	137	0
25.1	Advisory and assistance services	71,070	0	71,449	71,449	0
25.2	Other services	108,150	0	108,724	122,918	14,194
25.3	Other purchases of goods and services from Government accounts 1/	335	0	336	336	0
26.0	Supplies and materials	371	0	373	373	0
31.0	Equipment	1,527	0	1,535	1,535	0
	Total	232,337	0	234,005	249,408	15,403
	1/Other Purchases of Goods and Services From Government Accounts					
	Services by Other Government Departments	335	0	336	336	0

PENSION PLAN TERMINATION AND BENEFITS ADMINISTRATION

CHANGES IN FY 2011 (Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$489
Personnel benefits	163
All Other Rental	51

Net Program	14,700
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	Estimate	FTE
Base	234,708	350
Program Increase	14,700	0

OPERATIONAL SUPPORT

BUDGET AUTHORITY BEFORE THE COMMITTEE					
(Dollars in Thousands)					
	FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	Diff. FY 11 Req. / FY 10 Enacted
Activity Appropriation	141,795	0	143,650	144,997	1,347
FTE	372	0	375	376	1

NOTE: FY 2009 reflects actual FTE. Authorized FTE for FY 2009 was 372

Introduction

The category of “Operational Support” comprises the shared program and management support work necessary for the frontline operations of the Corporation to function. This includes non-trusteeship legal activities, policy and regulations, and the management of the Corporation’s strategic planning activities, information technology (IT) infrastructure, budget, procurement, general accounting and auditing and human resources. It also includes program functions related to both of PBGC’s insurance and benefits administration activities, such as program research, policy, and regulations. These activities support DOL’s goal of “improving health benefit and retirement security for all workers.”

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2006	117,323	320
2007	128,466	324
2008	128,309	324
2009	141,795	372
2010	143,650	375

NOTE: Excludes Recovery Act Funding. See budget activity head table.

FY 2011

PBGC will continue IT transformation efforts initiated in FY 2009. These efforts include advancing the development of and integrating PBGC’s Capital Planning and Investment Control (CPIC), Enterprise Architecture, Security, and Project Planning and Management programs. The integration of these programs will enable PBGC to improve IT decision-making, efficiency and effectiveness. In addition, IT will focus on short-term audit finding remediation and certification and accreditation of key systems. For FY 2011 PBGC has six IT business cases to support these efforts. The FY 2011 business cases can be found on the OMB IT Investment Dashboard.

PBGC’s is working towards being regarded as an exemplar of integrity, efficient stewardship, and performance excellence. It strives to achieve 1) sound and effective financial management systems and internal controls; 2) alignment of human capital strategies; 3) cost effective business solutions in information technology investments; and 4) business practices that promote cross-functional pursuit of corporate goals in a supportive environment and culture.

OPERATIONAL SUPPORT

To achieve this position, PBGC requires strong corporate governance processes in the areas of financial management, human capital management, information technology management, commercial services management, and performance management. Projecting a meaningful operating budget in the traditional Federal budget cycle has proven to be difficult for PBGC because of the unknown and unpredictable economic conditions, financial markets, and the rate of business failures. When major industries terminate their pension plans and PBGC trustee those plans, there is a residual effect, not only on benefits administration, but also on PBGC's support areas, including the IT infrastructure, facilities, procurement, human resources and financial management for many years beyond the year in which the plans terminate. PBGC's inventory of participants accumulates with each plan intake and is negligibly reduced through mortality.

FY 2010

Internal audits during FY 2009 and the Inspector General Financial audits found weaknesses in the NIST 800-53 Information Security Controls implemented at PBGC, specifically in the areas of Access Controls, Configuration Management, System Vulnerabilities, Certification and Accreditation of systems, overall Security planning and Financial Systems Integration. PBGC is in the process of developing Corrective Action Plans to address the issues holistically and are in discussion with both OMB and the Inspector General on approaches. Once the plans are complete (targeted for April 1) a cost projection and timeline will be available to measure our progress in addressing the material weakness.

PBGC will focus on the employee satisfaction action plan described in the overview.

FY 2009

In 2009, PBGC implemented a new performance management program that aligns manager's performance agreements to corporate performance expectations, and PBGC strengthened contractor oversight through staff training and application of performance based contracting techniques to improve service delivery.

In addition, concerted efforts in 2009 to improve IT Project Management has resulted in completion of a few critical segment architectures, formal alternative analysis methods, better business cases, and more reliable project and execution. However, the Corporation will continue to mature such its Enterprise Architecture and Capital Planning Process to address IT infrastructure challenges with a goal of simplifying the entire IT footprint by the end of FY 2013 and addressing audit findings and Certification and Accreditation of key systems. Internal audits during FY 2009 and the Inspector General Financial audits found weaknesses in the NIST 800-53 Information Security Controls implemented at PBGC, specifically in the areas of Access Controls, Configuration Management, System Vulnerabilities, Certification and Accreditation of systems, overall Security planning and Financial Systems Integration.

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Office of Inspector General

During the FY 2011 budget process, PBGC forwarded the OIG’s budget documents to DOL and OMB without editing or comment. PBGC is now enclosing the OIG’s budget description in the Congressional Budget Justification with minor editing (to fit the CBJ format) and without comment. OIG budget is included within the total Operational Support activity.

				Diff. FY11 Req / FY10 Request
	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Request	Agency Request
Activity Appropriation	4,691	5,656	5,998	342
FTE	22	25	26	1

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2006	4,002	21
2007	4,488	22
2008	4,601	22
2009	4,691	22
2010	5,656	25

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

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or personally-identifiable information). The IG Act provides that complainants are protected against reprisals for making complaints or providing information to the OIG. The OIG is required to expeditiously report to the Attorney General whenever there are reasonable grounds to believe that Federal criminal laws have been violated.

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

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

The OIG keeps the agency head and the Congress fully 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 \$5,997,760.
- Of that amount, \$63,265 is requested for training
- We certify that \$63,265 would satisfy the training requirements for FY 2011.

Based on the understanding that the full FY 2011 funding for the Council of Inspectors General for Integrity and Efficiency (CIGIE) is being consolidated and equally distributed among a group of CIGIE OIG member's FY 2011 budget requests, the PBGC/OIG's current budget request does not include an amount to support CIGIE. The OIG original budget request was \$6,131,586 which included \$14,716 to support CIGIE.

FY 2011

- On-going OIG efforts have identified Information Technology (IT) weaknesses that will take several years to correct, thus a significant part of our audit work will focus on PBGC's corrective actions, and on review of other IT systems/issues. In addition, we will have on-going communication with PBGC about new systems that may be developed so we can review systems early in the development process. Since much of PBGC's data is personally-identifiable information from participants and sensitive financial information from plan sponsors, our audit efforts will emphasize security. The new FTE for an auditor trained and experienced in IT is essential for this work.
- As PBGC has significant assets to invest (more than \$60,000,000,000 as of September 30, 2009), we will continue monitoring PBGC's implementation of the new investment

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policy to be developed. We will initiate reviews of PBGC's oversight of its investment program, including its written policies and procedures and activities for monitoring the contracted investment advisors. The FTE granted in the FY 2010 budget for a financial analyst is critical for this work.

- The financial statement audit will continue to absorb a significant amount of financial resources and 2 FTE almost year-round.
- We anticipate that PBGC will continue to contract out for a large number of services, therefore we will focus both audit and investigative resources on identifying opportunities for economy and efficiency, the effectiveness of PBGC monitoring to ensure contractors deliver products and services cost-effectively, and detecting and preventing fraud.

FY 2010

Completed and ongoing activities include:

- Financial statement audit. We issued 4 audit reports related to the audit of PBGC's financial statements for FY2009, including the 17th consecutive unqualified opinion on the financial statements. We reported a material weakness in the internal control opinion and issued a separate internal control report that provided details of the significant internal control deficiencies underlying the material weakness in information technology controls.
- New contract for the annual financial statement audit. We will be conducting a full and open competition for a 5-year fixed price contract to hire an independent public accounting firm to audit PBGC's annual financial statements.
- Investigation into post-award contacts between the former Director and executives at companies that were awarded Strategic Partnership contracts. Our audit determined that the former Director had questionable contact with executives of firms awarded lucrative contracts; in part, our investigation will address the extent to which these conversations took place in personal emails and telephone calls and violated any criminal laws. We are doing this work at the bipartisan request of Senators Baucus, Enzi, and Grassley, and the late Senator Kennedy.
- Investment policy implementation. The Board of Directors has stopped implementation of the 2008 investment policy while it considers the policy to be established. When that policy is established, we will monitor PBGC's implementation efforts to ensure effective planning, using our observations from our prior audit work. In the interim, we will continue to monitor PBGC's actions in managing its investments.
- Review of PBGC's preparedness for a potential influx of pension plans. U.S. Senator Herb Kohl, Chairman of the Senate Special Committee on Aging, requested that we evaluate PBGC's preparedness to assume an unprecedented number of terminated pension plans and

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participants. We have briefed PBGC and Aging Committee senior staffers several times on our preliminary results and will issue a report in the second quarter that will evaluate PBGC's planning process and the impact of IT issues on PBGC preparedness.

- Review of Minnesota Steelworker pension plans. Senators Klobuchar and Franken and Representative Oberstar, requested that we review PBGC's actions in terminating and establishing the benefits of Minnesota steelworker pension plans.
- Information Technology weaknesses identified. In addition to the Federal Information Security Management Act (FISMA) template report filed on November 15, we will issue reports with findings and recommendations that document our completed IT audit work, including risk assessment, penetration testing, FISMA details, authorizations to operate, and a whistleblower complaint about possible failure to protect personally-identifiable information. We continue to follow-up on the significant weaknesses in the certification and accreditation of PBGC's major systems and will initiate new audit work to follow-up on other identified IT weaknesses.
- Continuing Fraud Awareness activities, including reaching out to PBGC's contractors to remind them of their responsibility to report suspected fraud and potential over-payments.

FY 2009

Highlights of the significant audit and investigative activity during this period include:

- We issued an audit report finding that the former PBGC Director's unusual and active participation in multiple contracting activities and his contacts with potential bidders blurred his roles and created the appearance of favoritism toward certain bidders. We found that the former Director had on-going email and telephone contacts with several Wall Street firms who were bidding to become Strategic Partners with PBGC to manage \$2,500,000,000 of assets. Three of these firms were awarded the contracts. This work addressed concerns raised by a whistleblower, and was part of our audit of PBGC's implementation of its new investment policy. As a result of our work, the Board of Directors decided to cancel PBGC's award of Strategic Partnership contracts to the 3 Wall Street firms. We also briefed PBGC on our observations from our investment policy implementation audit work after the Board discontinued the policy.
- We issued a report evaluating PBGC's management of the securities lending program it operates through State Street Corporation. Overall, we found that there was no written policy for this part of PBGC's investment portfolio, including statements of investment objectives, risk tolerance, and measurement standards and operations of the securities lending program, nor a policy to require periodic review and modification or reaffirmation of the policy. There is an absence of documentation of procedures used to implement, oversee and monitor the program against policy standards and benchmarks. Further, PBGC was unable to independently calculate that its gross and net revenues earned in the commingled collateral trust pool were correctly calculated by State Street.

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- We issued 4 reports related to the annual financial statement audit, including an unqualified opinion on the financial statements. We also reported three significant internal control deficiencies in the internal control opinion, and issued a detailed internal control report.
- Through the financial statement audit and work required to submit the FISMA report to the Office of Management and Budget, we identified and reported to PBGC significant IT security vulnerabilities including continued weaknesses in the certification and accreditation of its major systems.
- Our investigation found that a contractor's employee had used an unencrypted, un-password-protected flash drive to store personally-identifiable information (PII) regarding PBGC participants. The contractor lost the flash drive and failed to report the loss, all in violation of PBGC's policy to protect PII. Our investigative results also included recovery of \$31,000 of improper benefit payments from a convicted murderer.
- Fraud Awareness Initiatives:
 - Briefings to several Pension Benefit Guaranty Corporation (PBGC) departments and Field Benefit Administration Offices throughout the country to educate employees and contractors about the roles and responsibilities of the Office of Inspector General. Specifically, we focused on raising awareness to potential indications of fraud, and discussed mechanisms for reporting allegations to the Office of Inspector General.
 - Non-voting participation on PBGC's Internal Control Committee. The Assistant Inspector General for Investigations provided insight gained through his experience as criminal investigator to the committee responsible for oversight and accountability of PBGC internal controls. Effective control systems may detect fraud or deliberate non-compliance with policies, regulations, or laws.

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BUDGET AUTHORITY BY OBJECT CLASS (Dollars in Thousands)					
		FY 2009	FY 2010	FY 2011	
				OIG Request	Change FY 11 Req. / FY 10 Req.
	Full-Time Equivalent				
	Total Number of Full-time Permanent Positions	22	25	26	1
	Full-time Permanent	22	25	26	1
	Other				
	Average ES Salary	174,255	177,740	177,740	3,485
	Average GM/GS Grade	12.4	12.3	12.3	
	Average GM/GS Salary	102,493	103,808	103,808	1,315
11.1	Full-time permanent	2,099	2,769	2,975	206
11.3	Other than full-time permanent				
11.5	Other personnel compensation				
11.9	Total personnel compensation	2,099	2,769	2,975	206
12.1	Civilian personnel benefits	538	694	746	52
21.0	Travel and transportation of persons	18	18	18	0
22.0	Transportation of things				
23.2	Rental payments to others	1	1	1	0
23.3	Communications, utilities, and miscellaneous charges				
24.0	Printing and reproduction				
25.0	Other Services	542	542	542	0
25.0	Other Services (Training)	51	51	63	12
25.0	Other services (Financial Statement Audit)	1,385	1,524	1,596	72
25.3	Other purchases of goods and services from Government accounts 1/				
26.0	Supplies and materials	25	25	25	0
31.0	Equipment	31	31	31	0
33.0	Investments and Loans				
42.0	Insurance claims and indemnities				
	Total	4,691	5,656	5,998	342

End of Office of the Inspector General narrative section

OPERATIONAL SUPPORT

WORKLOAD SUMMARY				
	FY 2009		FY 2010	FY 2011
	Target	Result	Target	Target
Operational Support				
Workload A: (Units)				
Service Desk Calls	70,000	66,409	75,000	60,000
Problem Tickets	37,500	50,501	47,500	40,000
Servers Supported	817	643	600	600
Software Releases	201	190	200	200
Data Storage (GB)	155,408	250,000	190,000	190,000
Network Communication Equipment	233	233	233	233

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

Workload Summary

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

OPERATIONAL SUPPORT

BUDGET ACTIVITY by OBJECT CLASS						
(Dollars in Thousands)						
		FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	FY 11 Req. / FY 10 Enacted
11.1	Full-time permanent	39,854	0	40,899	41,591	692
11.3	Other than full-time permanent	550	0	555	555	0
11.5	Other personnel compensation	920	0	938	1,847	909
11.9	Total personnel compensation	41,324	0	42,392	43,993	1,601
12.1	Civilian personnel benefits	11,026	0	11,210	11,765	555
21.0	Travel and transportation of persons	508	0	511	511	0
22.0	Transportation of things	1	0	1	1	0
23.2	Rental payments to others	24,153	0	24,282	24,622	340
23.3	Communications, utilities, and miscellaneous charges	1,990	0	2,000	2,000	0
24.0	Printing and reproduction	319	0	321	321	0
25.2	Other services	52,516	0	52,923	51,690	-1,233
25.3	Other purchases of goods and services from Government accounts 1/	578	0	580	664	84
26.0	Supplies and materials	2,259	0	2,271	2,271	0
31.0	Equipment	7,121	0	7,159	7,159	0
	Total	141,795	0	143,650	144,997	1,347
	1/Other Purchases of Goods and Services From Government Accounts					
	Services by Other Government Departments	578	0	580	664	84

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CHANGES IN FY 2011

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$605
Personnel benefits	202
All Other Rental	340

Net Program	200
Direct FTE	1

	Estimate	FTE
Base	144,797	375
Program Increase	200	1

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

BUDGET AUTHORITY BEFORE THE COMMITTEE					
(Dollars in Thousands)					
	FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	Diff. FY 11 Req. / FY 10 Enacted
Activity Appropriation	4,722,000	0	5,823,000	6,677,000	854,000
FTE	0	0	0	0	0

NOTE: FY 2009 reflects actual FTE. Authorized FTE for FY 2009 was 0

Introduction

Resources that PBGC requests for benefit payments result from a non-discretionary entitlement. Under this program the Corporation pays guaranteed amounts to beneficiaries of private sector, single-employer defined-benefit pension plans when those plans terminate without enough assets to provide basic benefits. About 33,800,000 workers and retirees in some 28,000 single-employer pension plans have a pension guaranty with PBGC.

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

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

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2006	4,549,000	0
2007	4,797,000	0
2008	4,500,000	0
2009	4,722,000	0
2010	5,823,000	0

NOTE: Excludes Recovery Act Funding. See budget activity head table.

FY 2011

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

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

FY 2010

PBGC's outlays for Single Employer Program Benefit Payments in FY 2010 will be determined by the Corporation's obligations under ERISA.

FY 2009

PBGC's outlays for Single Employer Program Benefit Payments in FY 2009 were \$4,250,760,000 as determined by the Corporation's obligations under ERISA.

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

WORKLOAD SUMMARY				
	FY 2009		FY 2010	FY 2011
	Target	Result	Target	Target
Single Employer Program Benefit Payments				
Workload Indicator: Number of Plans				
Retirees receiving monthly benefit checks	680,930	680,930	715,572	744,611

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

Workload Summary

The number of retirees receiving checks is estimated to increase an average of 4% each year. However, current economic conditions present the possibility of a larger than anticipated increase in pension plan terminations which could cause the number of retirees receiving checks to increase by more than the projected 4% per year.

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

BUDGET ACTIVITY by OBJECT CLASS						
(Dollars in Thousands)						
		FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	FY 11 Req. / FY 10 Enacted
42.0	Insurance claims and indemnities	4,722,000	0	5,823,000	6,677,000	854,000
	Total	4,722,000	0	5,823,000	6,677,000	854,000

SINGLE EMPLOYER PROGRAM BENEFIT PAYMENTS

CHANGES IN FY 2011

(Dollars in Thousands)

Activity Changes Built-In

Net Program		\$854,000
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	Estimate	FTE
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Base	5,823,000	0
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Program Increase	854,000	0
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MULTI-EMPLOYER PROGRAM FINANCIAL ASSISTANCE

BUDGET AUTHORITY BEFORE THE COMMITTEE					
(Dollars in Thousands)					
	FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	Diff. FY 11 Req. / FY 10 Enacted
Activity Appropriation	97,000	0	101,000	102,000	1,000
FTE	0	0	0	0	0

NOTE: FY 2009 reflects actual FTE. Authorized FTE for FY 2009 was 0

Introduction

Multiemployer financial assistance is a non-discretionary entitlement program. The multi-employer program covers about 10,100,000 participants in more than 1,500 insured plans. Funded and administered separately from the single-employer program, the multi-employer program differs in that PBGC steps in to guarantee multi-employer plans when a covered plan proves unable to pay benefits when due rather than, as in the case of single-employer plans, when the plan terminates.

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

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2006	90,000	0
2007	193,000	0
2008	106,000	0
2009	97,000	0
2010	101,000	0

NOTE: Excludes Recovery Act Funding. See budget activity head table.

FY 2011

PBGC's outlays for Multi-employer Program Financial Assistance in FY 2011 will be determined by the Corporation's obligations under ERISA.

FY 2010

PBGC's outlays for Multi-employer Program Financial Assistance in FY 2010 will be determined by the Corporation's obligations under ERISA.

FY 2009

PBGC's outlays for Multi-employer Program Financial Assistance in FY 2009 were \$86,000,000 as determined by the Corporation's obligations under ERISA.

MULTI-EMPLOYER PROGRAM FINANCIAL ASSISTANCE

WORKLOAD SUMMARY				
	FY 2009		FY 2010	FY 2011
	Target	Result	Target	Target
Multi-Employer Program Financial Assistance				
Workload: Number of Plans				
Multi-employer plans receiving financial assistance	45	43 (r)	49 (e)	57 (e)

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

Workload Summary

The number of plans receiving financial assistance is projected to increase 14% between FY 2009 and FY 2010 and 16% in FY 2011. However, downturns in the economy could lead to a larger than anticipated number of plans requiring assistance.

MULTI-EMPLOYER PROGRAM FINANCIAL ASSISTANCE

BUDGET ACTIVITY by OBJECT CLASS						
(Dollars in Thousands)						
		FY 2009 Enacted	Recovery Act	FY 2010 Enacted	FY 2011 Request	FY 11 Req. / FY 10 Enacted
33.0	Investments and Loans	97,000	0	101,000	102,000	1,000
	Total	97,000	0	101,000	102,000	1,000

MULTI-EMPLOYER PROGRAM FINANCIAL ASSISTANCE

CHANGES IN FY 2011

(Dollars in Thousands)

Activity Changes Built-In

Net Program		\$1,000
	Estimate	FTE
Base	101,000	0
Program Increase	1,000	0