

**FY 2019**

**CONGRESSIONAL BUDGET JUSTIFICATION**

**PENSION BENEFIT GUARANTY CORPORATION**

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# PENSION BENEFIT GUARANTY CORPORATION

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# PENSION BENEFIT GUARANTY CORPORATION

## PENSION BENEFIT GUARANTY CORPORATION

### *Federal Funds*

#### PENSION BENEFIT GUARANTY CORPORATION FUND

*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, 2019, for the Corporation: Provided, That none of the funds available to the Corporation for fiscal year 2019 shall be available for obligations for administrative expenses in excess of \$445,363,000: Provided further, That an additional amount shall be available for obligation through September 30, 2020 to the extent the Corporation's costs exceed \$250,000 for the provision of credit or identity monitoring to affected individuals upon suffering a security incident or privacy breach: 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 2019, an amount not to exceed an additional \$9,200,000 shall be available through September 30, 2020, for obligation for administrative expenses for every 20,000 additional terminated participants: 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.*

Note - A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

# PENSION BENEFIT GUARANTY CORPORATION

## ANALYSIS OF APPROPRIATION LANGUAGE

<b>Language Provision</b>	<b>Explanation</b>
<i>Provided further, that an additional amount shall be available for obligation through September 30, 2020 to the extent the Corporation's costs exceed \$250,000 for the provision of credit or identity monitoring to affected individuals upon suffering a security incident or privacy breach:</i>	<i>PBGC holds over two million personally identifiable information (PII) records. In the event of a potential breach of PII, PBGC will need additional resources to respond in a timely and effective way. If a significant breach were to occur, PBGC would be severely inhibited from both responding appropriately to the breach and carrying on with its core mission work due to the potentially enormous price tag of such an effort. This language would provide for additional resources to cover credit or identity monitoring to affected individuals, in the unlikely event of a breach.</i>

## PENSION BENEFIT GUARANTY CORPORATION

<b>AMOUNTS AVAILABLE FOR OBLIGATION</b>						
(Dollars in Thousands)						
	FY 2017 Enacted		FY 2018 Full Year C.R. <sup>1</sup>		FY 2019 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
<b>A. Appropriation</b>						
Administrative Activities						
Consolidated Administrative Activities	964	\$510,757	964	\$412,412	968	\$445,363
Total Administrative Activities <sup>2</sup>	964	\$510,757	964	\$412,412	968	\$445,363
Program Activities						
Investment Management Fees Program	0	\$113,484	0	\$110,630	0	\$117,400
Single-Employer Program Benefit Payments	0	\$6,287,590	0	\$6,576,000	0	\$7,212,000
Multiemployer Program Financial Assistance	0	\$158,600	0	\$167,000	0	\$204,000
Total Program Activities	0	\$6,559,674	0	\$6,853,630	0	\$7,533,400
Total Program and Administrative Activities	964	\$7,070,431	964	\$7,266,042	968	\$7,978,763
Offsetting Collections From:						
Interest on Federal Securities	0	-\$995,000	0	\$828,000	0	\$946,000
Premium Receipts	0	\$6,850,000	0	\$6,876,000	0	\$6,686,000
Benefit Payment Reimbursements	0	\$3,523,000	0	\$3,981,000	0	\$4,852,000
Investment Management Fees Program	0	\$113,484	0	\$110,630	0	\$117,400
Trust Fund for Administrative Expenses <sup>3</sup>	0	\$381,516	0	\$385,370	0	\$412,600
<i>Subtotal, Offsetting Collections</i>	<i>0</i>	<i>\$9,873,000</i>	<i>0</i>	<i>\$12,181,000</i>	<i>0</i>	<i>\$13,014,000</i>
<b>B. Gross Budget Authority</b>						
Offsetting Collections To:						
Interest on Federal Securities	0	\$995,000	0	-\$828,000	0	-\$946,000
Premium Receipts	0	-\$6,850,000	0	-\$6,876,000	0	-\$6,686,000
Benefits Payment Reimbursements	0	-\$3,523,000	0	-\$3,981,000	0	-\$4,852,000
Investment Management Fees Program	0	-\$113,484	0	-\$110,630	0	-\$117,400

<sup>1</sup> A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution. Note: FY 2017 reflects FTE authorization and utilization.

<sup>2</sup> FY 2017 Enacted reflects sequestration reductions to mandatory accounts pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended. FY 2018 reflects sequestration reduction as required by the OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2018 (May 23, 2017) pursuant to the Budget Control Act of 2011 (P.L. 112-25).

<sup>3</sup> 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. The multiemployer portion that is not reimbursed represents an outlay in the Federal Budget. The methodology for determining expenses allocated to the Multiemployer Insurance Program was revised in FY 2015 to ensure we are capturing all such expenses that are solely benefiting the Multiemployer Insurance Program.

## PENSION BENEFIT GUARANTY CORPORATION

Administrative Expenses	0	-\$381,516	0	-\$385,370	0	-\$401,600
<i>Subtotal, Offsetting Collections To</i>	<i>0</i>	<i>-\$9,873,000</i>	<i>0</i>	<i>-\$12,181,000</i>	<i>0</i>	<i>-\$13,014,000</i>
<b>C. Obligating Authority Before Committee</b>	<b>964</b>	<b>\$510,757</b>	<b>964</b>	<b>\$412,412</b>	<b>968</b>	<b>\$445,363</b>
<b>D. Total Budgetary Resource</b>	<b>964</b>	<b>\$7,070,431</b>	<b>964</b>	<b>\$7,266,042</b>	<b>968</b>	<b>\$7,978,763</b>
Unobligated Balance Expiring	0	\$0	0	\$0	0	\$0
Direct BA and FTE	964	\$7,070,431	964	\$7,266,042	968	\$7,978,763
Reimbursable BA and FTE	0	\$0	0	\$0	0	\$0
Total Lapse <sup>4</sup>	4	-\$1,749	0	\$0	0	\$0
<b>E. Total, Estimated Obligations</b>	<b>968</b>	<b>\$7,068,682</b>	<b>964</b>	<b>\$7,266,042</b>	<b>968</b>	<b>\$7,978,763</b>

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<sup>4</sup> Applies only to administrative funds.



# PENSION BENEFIT GUARANTY CORPORATION

## SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2018 Full Year C.R.	FY 2019 Request	Net Change
<b>Obligational Authority</b>			
Program Activities	\$6,853,630	\$7,533,400	+ \$679,770
Administrative Activities	\$412,412	\$445,363	+ \$32,951
<b>Total</b>	\$7,266,042	\$7,978,763	+ \$712,721

<b>Full Time Equivalents</b>			
Program Activities	0	0	0
Administrative Activities	964	968	4
<b>Total</b>	964	968	4

**FY 2019 Change**

Explanation of Change	FY 2018 Base		Administrative Activities		Program Activities		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Increases:</b>								
<b>A. Built-Ins:</b>								
To Provide For:								
Costs of pay adjustments	964	\$116,111	0	\$544	0	\$0	0	\$544
Personnel benefits	0	\$35,944	0	\$256	0	\$0	0	\$256
One day more of pay	0	\$0	0	\$588	0	\$0	0	\$588
Benefits for former personnel	0	\$36	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$1,281	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	\$30,128	0	\$0	0	\$0	0	\$0
Communications, utilities, and miscellaneous charges	0	\$4,152	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$201	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$110,630	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$0	0	\$0	0	\$0	0	\$0
Other goods and services from Federal sources	0	\$4,700	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	\$2,449	0	\$0	0	\$0	0	\$0
Equipment	0	\$0	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$6,576,000	0	\$0	0	\$0	0	\$0
Investment and Loans	0	\$167,000	0	\$0	0	\$0	0	\$0
<b>Built-Ins Subtotal</b>	<b>964</b>	<b>+\$7,048,633</b>	<b>0</b>	<b>+\$1,388</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>+\$1,388</b>

# PENSION BENEFIT GUARANTY CORPORATION

Explanation of Change	FY 2019 Change							
	FY 2018 Base		Administrative Activities		Program Activities		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>B. Programs:</b>								
Single-Employer Program Benefit Payments	0	\$6,576,000	0	\$0	0	\$636,000	0	\$636,000
Multiemployer Program Financial Assistance	0	\$167,000	0	\$0	0	\$37,000	0	\$37,000
Case Workload and Benefit Calculation System Modernization	0	\$0	0	\$15,000	0	\$0	0	\$15,000
Processing of Mandatory Workload	0	\$0	0	\$8,594	0	\$0	0	\$8,594
Investment Management Fees Program	0	\$110,630	0	\$0	0	\$6,770	0	\$6,770
Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure	0	\$0	0	\$6,731	0	\$0	0	\$6,731
Actuarial Support and EFAST2	0	\$0	2	\$1,350	0	\$0	2	\$1,350
Office of Inspector General's Financial Audit, and Administrative Support	25	\$6,534	0	\$196	0	\$0	0	\$196
Participant and Plan Sponsor Advocate	2	\$393	2	\$280	0	\$0	2	\$280
<b>Programs Subtotal</b>			<b>4</b>	<b>+\$32,151</b>	<b>0</b>	<b>+\$679,770</b>	<b>4</b>	<b>+\$711,921</b>
<b>Total Increase</b>	<b>964</b>	<b>+\$7,048,633</b>	<b>4</b>	<b>+\$33,539</b>	<b>0</b>	<b>+\$679,770</b>	<b>4</b>	<b>+\$713,309</b>
<b>Decreases:</b>								
<b>A. Built-Ins:</b>								
To Provide For:								
Other services from non-Federal sources	0	\$214,392	0	-\$577	0	\$0	0	-\$577
Equipment	0	\$3,017	0	-\$11	0	\$0	0	-\$11
<b>Built-Ins Subtotal</b>	<b>0</b>	<b>+\$217,409</b>	<b>0</b>	<b>-\$588</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$588</b>
<b>B. Programs:</b>								
<b>Total Decrease</b>	<b>0</b>	<b>+\$217,409</b>	<b>0</b>	<b>-\$588</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$588</b>
<b>Total Change</b>	<b>964</b>	<b>+\$7,266,042</b>	<b>4</b>	<b>+\$32,951</b>	<b>0</b>	<b>+\$679,770</b>	<b>4</b>	<b>+\$712,721</b>

## PENSION BENEFIT GUARANTY CORPORATION

### SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY

(Dollars in Thousands)

	FY 2017 Enacted		FY 2018 Full Year C.R.		FY 2019 Request		Diff. FY19 Request / FY18 Full Year C.R.	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Consolidated Administrative Activities</b>	<b>968</b>	<b>510,757</b>	<b>964</b>	<b>412,412</b>	<b>968</b>	<b>445,363</b>	<b>4</b>	<b>32,951</b>
Administrative	968	510,757	964	412,412	968	445,363	4	32,951
<b>Office of Inspector General - Non-Add</b>	<b>25</b>	<b>6,533</b>	<b>25</b>	<b>6,534</b>	<b>25</b>	<b>6,802</b>	<b>0</b>	<b>268</b>
Administrative	25	6,533	25	6,534	25	6,802	0	268
<b>Investment Management Fees Program</b>	<b>0</b>	<b>113,484</b>	<b>0</b>	<b>110,630</b>	<b>0</b>	<b>117,400</b>	<b>0</b>	<b>6,770</b>
Program	0	113,484	0	110,630	0	117,400	0	6,770
<b>Single-Employer Program Benefit Payments</b>	<b>0</b>	<b>6,287,590</b>	<b>0</b>	<b>6,576,000</b>	<b>0</b>	<b>7,212,000</b>	<b>0</b>	<b>636,000</b>
Program	0	6,287,590	0	6,576,000	0	7,212,000	0	636,000
<b>Multiemployer Program Financial Assistance</b>	<b>0</b>	<b>158,600</b>	<b>0</b>	<b>167,000</b>	<b>0</b>	<b>204,000</b>	<b>0</b>	<b>37,000</b>
Program	0	158,600	0	167,000	0	204,000	0	37,000
<b>Total</b>	<b>968</b>	<b>7,070,431</b>	<b>964</b>	<b>7,266,042</b>	<b>968</b>	<b>7,978,763</b>	<b>4</b>	<b>712,721</b>
<b>Program</b>	<b>0</b>	<b>6,559,674</b>	<b>0</b>	<b>6,853,630</b>	<b>0</b>	<b>7,533,400</b>	<b>0</b>	<b>679,770</b>
<b>Administrative</b>	<b>968</b>	<b>510,757</b>	<b>964</b>	<b>412,412</b>	<b>968</b>	<b>445,363</b>	<b>4</b>	<b>32,951</b>

Note: FY 2017 reflects actual FTE.

## PENSION BENEFIT GUARANTY CORPORATION

<b>BUDGET AUTHORITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request / FY18 Full Year C.R.</b>
	Full-Time Equivalent				
	Full-time Permanent	934	934	938	4
	Other	30	30	30	0
	Total	964	964	968	4
	Average ES Salary	176,123	179,470	179,470	0
	Average GM/GS Grade	12	13	13	0
	Average GM/GS Salary	101,119	107,435	107,435	0
11.1	Full-time permanent	109,452	110,452	111,852	1,400
11.3	Other than full-time permanent	1,555	1,664	1,664	0
11.5	Other personnel compensation	4,005	3,995	3,995	0
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>115,012</b>	<b>116,111</b>	<b>117,511</b>	<b>1,400</b>
12.1	Civilian personnel benefits	36,948	35,944	36,554	610
13.0	Benefits for former personnel	39	36	36	0
21.0	Travel and transportation of persons	1,163	1,281	1,281	0
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	51,056	30,128	30,128	0
23.3	Communications, utilities, and miscellaneous charges	5,207	4,152	4,152	0
24.0	Printing and reproduction	178	201	201	0
25.1	Advisory and assistance services	113,484	110,630	117,400	6,770
25.2	Other services from non-Federal sources	287,028	214,392	242,044	27,652
25.3	Other goods and services from Federal sources 1/	5,800	4,700	4,700	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	2,515	2,449	2,449	0
31.0	Equipment	5,810	3,017	6,306	3,289
33.0	Investments and Loans	158,600	167,000	204,000	37,000
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	6,287,590	6,576,000	7,212,000	636,000
	<b>Total</b>	<b>7,070,431</b>	<b>7,266,042</b>	<b>7,978,763</b>	<b>712,721</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	5,800	4,700	4,700	0

# 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)	29 U.S.C.	1304 1308		Not Applicable
P.L. 113-67	Bipartisan Budget Act (December 26, 2013)	127 Stat.	1165		Not Applicable
P.L. 113-235	Consolidated and Further Continuing Appropriations Act, 2015 (Divisions O, P, & Q)	128 Stat.	2130		Not Applicable

## PENSION BENEFIT GUARANTY CORPORATION

P.L. 114-74	Bipartisan Budget Act of 2015	129 Stat.	584	Not Applicable
P.L. 115-31	Consolidated Appropriations Act, 2017	508 Stat.	163	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>
2010					
Base Appropriation	\$464,067	\$464,067	\$464,067	\$464,067	941
2011					
Base Appropriation...1/	\$466,301			\$464,066	941
2012					
Base Appropriation...2/	\$476,901	\$476,901	\$476,901	\$476,901	999
2013					
Base Appropriation...3/	\$479,013			\$470,906	1,017
2014					
Base Appropriation...4/	\$505,441			\$496,634	956
2015					
Base Appropriation...5/	\$415,394			\$406,425	977
2016					
Base Appropriation...6/	\$431,799	\$431,799	\$431,799	\$423,163	942
2017					
Base Appropriation...7/	\$519,506			\$510,757	964
2018					
Base Appropriation...8/	\$522,917	\$424,417			
2019					
Base Appropriation	\$445,363				968

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

2/ FY 2012 reflects authorized FTE.

3/ FY 2013 appropriation reflects a full year CR with temporary sequestration reduction and authorized FTE.

4/ FY 2014 appropriation reflects a temporary sequestration reduction.

5/ FY 2015 appropriation reflects a temporary sequestration reduction.

6/ FY 2016 appropriation reflects a temporary sequestration reduction.

7/ FY 2017 appropriation reflects a temporary sequestration reduction.

8/ A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared.

# PENSION BENEFIT GUARANTY CORPORATION

## Overview

The Pension Benefit Guaranty Corporation (PBGC) is a federal corporation, established under the Employee Retirement Income Security Act of 1974, as amended. It guarantees payment of basic pension benefits earned by nearly 40,000,000 American workers and retirees in two separate insurance programs. The Single-Employer Program protects about 30,000,000 workers and retirees in over 22,500 pension plans. The Multiemployer Program protects over 10,000,000 workers and retirees in about 1,400 pension plans. The Corporation receives no funds from general tax revenues. Operations are financed by insurance premiums paid by plans or the companies that sponsor them, investment income, and, in the Single-Employer Program, assets from terminated plans and recoveries of plan underfunding from sponsor bankruptcies.

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.

### **Budget Request Summary**

PBGC is requesting \$445,363,000 in spending authority for administrative purposes in 2019. The request includes investments to ensure that critical cybersecurity and mission-critical needs are met, to expedite resolution of the backlog of pension benefit valuation cases, and to modernize the Benefit Calculation System. This amount also re-proposes requests from the FY 2018 President's Budget of \$3,411,000, an internal offset to cover one extra day of pay (-\$588,000), and processing of mandatory workload (\$8,594,000). The significant areas in which PBGC is seeking program changes are as follows:

**Complying with E.O. 13800, "Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure" (\$6,731,000).** The funding supports three initiatives: 1) Equipment Infrastructure upgrades (\$3,300,000) to ensure equipment that is at its end of service is current with the latest cybersecurity protections; 2) Continuous Diagnostics and Mitigation (CDM) Improvements (\$400,000) will allow PBGC to use the DHS CDM program to improve its cyber security posture and defensive capabilities, as well as eventually reduce costs associated with maintaining these capabilities; 3) Data Loss Prevention (DLP) (\$700,000) will allow PBGC to close a significant gap in its cybersecurity capabilities, as well as satisfy applicable executive order (EO) requirements and address IG audit findings; and 4) Federally Mandated Requirements for Cybersecurity (\$2,331,000), which is carried over from the FY 2018 President's Budget.

**Case Workload and Benefit Calculation System Modernization (\$15,000,000).** PBGC is still finalizing work from the last surge of plans that occurred between FY 2009 and FY 2012. Due to the concurrence of this surge in work and the time it took to address a material weakness, PBGC has a significant backlog of cases. Currently PBGC has almost 400 plans in some stage of case processing. In recent years, PBGC has been processing approximately 10-20 more cases than it trustees per year. At this rate, it would take over 10 years to work through the current backlog. This level also includes funding to initiate the modernization of the Benefit Calculation legacy IT



## PENSION BENEFIT GUARANTY CORPORATION

systems. By modernizing the system, PBGC will be able to address cybersecurity risks in end of life systems, streamline the benefit determination process, allow for better data sharing and reporting, and improve customer service by allowing for an online benefit estimation tool.

**Office of the Participant and Plan Sponsor Advocate (OPPSA), (\$280,000)** and two FTEs for a programmatic increase initially requested in the FY 2018 President's Budget.

**Actuarial Support and EFAST2 (\$1,350,000).** PBGC is seeking funds for actuarial support and its EFAST2 (Form 5500 processing) contribution. These funds will be used to model and mitigate risks to the insurance program and cover PBGC's allocated share of EFAST2 system operation (costs are shared with the Department of Labor and the Internal Revenue Service). These resources will assist PBGC in enhancing its primary functions through improving the quality of actuarial work products, providing actuarial evaluations of PBGC's future expected operations and financial status, and enabling PBGC to effectively implement requirements of various reports and recent changes in law. These funds will support two FTEs to ensure proper government oversight.

**Office of Inspector General (\$196,000).** PBGC's Office of Inspector General is requesting resources to fully fund option year four of the existing contract to perform the mandatory Financial Statement Audit, and administrative contract support, including an Inter-Agency Agreement with GSA for procurement support activities.

**Appropriations Language Change.** As noted on page 6, PBGC is seeking an appropriations language change to allow it to respond in the case of a significant privacy breach. PBGC believes this is the best approach to dealing with potential breaches in a timely and effective way given the over two million personally identifiable information (PII) records that the Corporation holds. This language would provide for additional resources to cover credit or identity monitoring to affected individuals, in the unlikely event of a breach.

### PBGC Mission and Vision

**Mission:** Enhance retirement security by preserving and encouraging the continuation of private pension plans and protecting the benefits of workers and retirees in traditional pension plans.

**Vision:** A sustainable pension insurance program that supports a robust system of voluntary private plans that provide lifetime retirement income.

#### **Values:**

- **Excellence is Our Commitment.** We seek results that embody integrity, professionalism, transparency, and accountability.
- **Customer Service is Our Passion.** We strive to provide information that is timely and accurate to workers and retirees, stakeholders, and partners.
- **People are Our Priority.** Our success depends on the diversity, collaboration, and commitment of our workforce.
- **Integrity is Our Touchstone.** We perform our duties honestly, ethically, and with a commitment to protecting personal privacy.
- **Innovation Guides Our Work.** We work diligently to improve our technological operations, work products, and processes.

# **PENSION BENEFIT GUARANTY CORPORATION**

## **PBGC Effectively Protects Retirement Security**

PBGC tries, first, to preserve plans and keep pension promises in the hands of the employers who make them. When companies undertake major transactions that might threaten their ability to pay pensions, PBGC negotiates protections for their pension plans. Last year PBGC negotiated with dozens of companies, both in bankruptcy and otherwise, to preserve their plans. In 2017, PBGC:

- Helped to protect more than 26,700 people in single-employer plans by taking action in bankruptcy cases to encourage companies to keep their plans when they emerged from bankruptcy;
- Paid \$141,000,000 in financial assistance to 72 insolvent multiemployer plans;
- Through its Early Warning Program, negotiated almost \$600,000,000 in financial protection for more than 240,000 people in plans put at risk by corporate events and transactions. These agreements are also negotiated to avoid placing an unnecessary burden on premium payers; and
- Conducted compliance reviews of plan sponsor calculations for plans that ended through standard terminations, resulting in 435 participants receiving corrected benefit amounts with a value of \$4,600,000.

When plans do fail, PBGC steps in to ensure that a portion of benefits continue to be paid. PBGC:

- Assumed responsibility for 23,000 people in 82 trustee single-employer plans;
- Started paying benefits to nearly 14,000 retirees in single-employer plans; and
- Paid \$5,700,000,000 to nearly 840,000 retirees from 4,845 failed single-employer plans.

To maintain high standards of stewardship and accountability in FY 2017, the Corporation:

- Achieved an unmodified financial statement audit opinion and an unmodified opinion on internal controls;
- Closed five recommendations related to the four significant deficiencies in PBGC's internal control program, as identified by PBGC's Inspector General;
- Continued to provide outstanding service to retirees, as demonstrated by a retiree customer satisfaction score of 91, which is among the best in public and private sectors, according to the American Customer Satisfaction Index;
- Engaged and collaborated with the stakeholder community, including participants, plan sponsors and service providers, to listen to their concerns and make it easier for plan sponsors to maintain traditional pension plans;
- Finalized and submitted to OMB a final rule expanding the missing participants program to include participants in defined contribution plans, and certain multiemployer and non-covered defined benefit plans. The rule, which will be effective for plans terminating after January 1, 2018, will help reunite missing participants in terminated plans with their

## **PENSION BENEFIT GUARANTY CORPORATION**

retirement benefits. (After the close of the fiscal year, PBGC published the final rule on December 22, 2017); and

- Collaborated with stakeholders in the multiemployer system to find solutions to resolve its financial difficulties. PBGC is working to remedy the financial troubles of the Multiemployer Program, which is expected to run out of money in the near future. It is in all stakeholders' interests, including workers, retirees, and plan sponsors, that the PBGC is financially sound.

### **Protecting Workers' Retirement Security**

PBGC acts as a backstop to insure pension payments for workers whose companies or plans have failed. PBGC's Single-Employer Program covers plans that are sponsored by an individual company; the Multiemployer Program covers plans maintained pursuant to one or more collective bargaining agreements involving more than one unrelated employer. The Budget includes proposed changes to PBGC's premiums that would raise about \$16 billion over the budget window.

The Budget proposes to reform multiemployer premiums and improve the solvency of the program by creating a variable-rate premium (VRP) and an exit premium in the Multiemployer Program. A multiemployer VRP would require plans to pay additional premiums based on their level of underfunding, up to a cap, as is done in the Single-Employer Program. Under the proposal, the per participant cap on the multiemployer VRP would be indexed to inflation. The multiemployer VRP rate would not be indexed.

An exit premium, equal to ten times the VRP cap, would be assessed on employers that withdraw from a plan to compensate the insurance program for the additional risk imposed on it when employers leave the system and cease making plan contributions. Employers who withdraw from a multiemployer plan owe a withdrawal liability to the plan in the amount of the employer's share of the plan's unfunded liabilities, but plans are often unable to collect the full amount of these liabilities. PBGC would have limited authority to design waivers for some or all of the VRP assessed to terminated plans or ongoing plans that are in critical status, if there is a substantial risk that the payment of premiums will accelerate plan insolvency resulting in earlier financial assistance to the plan. Aggregate waivers for a year would be limited to 20 percent of the anticipated total multiemployer variable rate premiums for all plans. This level of premiums is expected to be sufficient to fund the Multiemployer Program for the next 20 years.

The Budget also calls for the repeal of provisions accelerating fiscal year 2026 premiums into fiscal year 2025 and repeals the requirement for certain multiemployer premium revenues to be held in non-interest-bearing investments.

### **PBGC Use of Evidence in Decision Making**

Appendix 7 to M-17-22 the *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce* and budget guidance issued on August 17, 2017 emphasize the need to use evidence to improve effectiveness. Appendix 7 indicates that evidence can be quantitative or qualitative and may come from a variety of sources, including

## PENSION BENEFIT GUARANTY CORPORATION

performance measurement, program evaluations, statistical series, retrospective reviews, and other data analytics and research.

PBGC continuously monitors how well the corporation does its job and serves customers using a wide range of performance measures. Some of these include:

- How quickly and seamlessly the corporation pays retirees;
- How accurately PBGC calculates retiree benefits; and
- How well the Corporation invests assets.

Additionally, PBGC conducts a wide range of surveys to help improve the coordination and cooperation that is essential to meet customer service goals.

Each quarter, PBGC leaders participate in data-driven discussions covering the Corporation's progress in pre- and post-trusteeship operations, stewardship and accountability, customer satisfaction, and building and maintaining a model workplace. The strategic use of performance data better informs planning and execution of operations, as well as corporate and program area decision-making.

Appendix 7 states that “the credible use of evidence in decision-making requires an understanding of what conclusions can and cannot be drawn from the available information.” Data, projections, and research from PBGC's Policy Research and Analysis Department (PRAD) assist Administration policy makers and Congress in evaluating how current law and possible alternatives impact PBGC's ability to carry out its statutory mission in the face of developing trends. PRAD's data, analyses, and research products inform PBGC's stakeholders, through direct outreach and posting on PBGC.gov. For example, PBGC's annual Projections Report provides 10-year actuarial projections of the expected financial status of PBGC's insurance programs under a range of scenarios. The projections are made using PBGC's Projections model PIMS<sup>5</sup>. This report, which is submitted to the President and Congress and posted on PBGC's website, provides important information for policy makers.

Finally, we note that Congress establishes in law the guarantees and terms and conditions of PBGC insurance, pension funding requirements, and constraints on risk taking by insured plans. PBGC's statistical data and analyses assist Congress in evaluating the effectiveness of current law and possible changes.

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<sup>5</sup> <https://www.pbgc.gov/about/projections-report/pension-insurance-modeling-system>

# PENSION BENEFIT GUARANTY CORPORATION

## 2019 PBGC Annual Performance Plan

PBGC's current FY 2018-2022 Strategic Plan provides a framework for annual performance plans. PBGC conducts regular data-driven performance reviews and strategic reviews. Agency leaders review performance data and status reports on a quarterly basis. The continuous evaluation of performance data and customer feedback helps agency leadership to monitor what is working well and what may need to be adjusted. These performance reviews allow agency leaders to realign or adjust human capital and other resources to influence progress on agency goals and priorities.

PBGC's business operations, information technology programs, investment portfolios, budgets and finances are managed and supported by a multidisciplinary team of professionals and administrative staff. The current workforce consists of just under 1,000 federal employees, who are supported by contractors. Every federal employee has a performance plan with objectives tied to the agency's strategic goals. Employees review their performance objectives and performance outcomes with their supervisor of record every 120 days. These highly skilled professionals, who are committed to the work of PBGC's mission include:

- Accountants
- Actuaries
- Attorneys
- Auditors
- Benefits Specialists
- Analysts
- IT and Cybersecurity Experts

Each PBGC employee has an important role in the Corporation's mission of protecting America's pensions. We publish an annual performance report of the agency's accomplishments. This framework is consistent with requirements outlined in Government Performance and Results Modernization Act of 2010.

For the full FY 2018-2022 PBGC Strategic Plan, please visit:

<https://www.pbgc.gov/about/budget-performance-and-planning>

For the FY 2017 PBGC Annual Performance Report, please visit:

<https://www.pbgc.gov/sites/default/files/pbgc-annual-report-2017.pdf>

The table that follows is a summary of the FY 2018-2022 PBGC Strategic Plan.

## PENSION BENEFIT GUARANTY CORPORATION

<b>PBGC Strategic Plan</b>					
<b>Strategic Goal 1: Preserve Plans and Protect the Pensions of Covered Workers and Retirees</b>					
Strategic Objectives	Performance Strategies				
<ul style="list-style-type: none"> <li>• Encourage the continuation and maintenance of pension plans</li> <li>• Protect workers and retirees when plans are at risk</li> <li>• Assist policy makers in addressing the impending insolvency crisis in the multiemployer insurance program</li> <li>• Reduce the number of Missing Participants</li> </ul>	<ul style="list-style-type: none"> <li>• Engage with employers, workers, and pension practitioners to encourage pension plan continuation and strengthen retirement security</li> <li>• Maintain a regulatory environment that serves the interests of stakeholders and minimizes the burdens of sponsoring a plan</li> <li>• Preserve plans during bankruptcy and other corporate transactions</li> <li>• Protect the retirement security of workers and retirees and the interest of premium payers in federal courts</li> <li>• Research and forecast insurance program activities</li> <li>• Provide timely, concrete and practical guidance to plans on the implementation of mergers, partitions and alternate withdrawal liability proposals to reduce employer risk, while preserving plans and benefits</li> <li>• Provide technical assistance, analysis, and options to policy makers and Congress to improve the financial stability of the Multiemployer Program</li> <li>• Continue to provide financial assistance to insolvent multiemployer plans</li> <li>• Reunite plan participants with their lost pensions</li> </ul>				
<b>Goal Leaders:</b> <ul style="list-style-type: none"> <li>• Chief of Negotiations and Restructuring</li> <li>• Chief Policy Officer</li> <li>• General Counsel</li> </ul>					
<b>Performance Measures &amp; Targets</b>					
Goal 1 Performance Measures & Targets	FY 2015 Result	FY 2016 Result	FY 2017 Result	FY 2018 Target	FY 2019 Target
Participants protected as a result of our actions in bankruptcy cases where plan sponsors emerge from bankruptcy with plans ongoing	16,000	55,000	26,700	These activities are not amenable to targets	These activities are not amenable to targets
Additional payments resulting from standard termination enforcement actions	\$5.8 million to 1,456 people	\$4.5 million to 940 people	\$4.6 million to 435 people	These activities are not amenable to targets	These activities are not amenable to targets

## PENSION BENEFIT GUARANTY CORPORATION

<b>PBGC Strategic Plan</b>				
<b>Performance Area (Dollars in thousands)</b>		<b>FY 2017<sup>6</sup></b>	<b>FY 2018<sup>7</sup></b>	<b>FY 2019</b>
Pension Insurance	Total Funding (Dollars in thousands)	72,552	79,471	79,684
	Total FTE	207	211	213

### **FY 2019 plan to achieve Goal 1 Performance Objectives:**

1. Communicate benefits of a defined benefit pension lifetime income via PBGC.gov, social media, and PBGC leadership speaking engagements.
2. Maximize stakeholder input by holding frequent meetings and/or events with participant groups, plan sponsors, practitioner groups, industry associations, and other interested stakeholders
3. Provide technical assistance and practical guidance to plan sponsors on the implementation of proposed options to reduce employer risks, while preserving plans and benefits.
4. Perform rigorous cost-benefit analysis.
5. Prioritize simplification and transparency.
6. Protect pensioners by proactively monitoring PBGC's largest exposure for transactions that may pose substantial risks to participants and retirees.
7. Represent PBGC's interest in all bankruptcy cases involving defined benefit pensions plans.
8. Reduce administrative and regulatory burdens on plan sponsors.
9. Audit a statistically significant number of plans terminating through standard termination, including all plans with more than 300 participants, to ensure pension plan participants receive the correct pension benefits.
10. Deliver an annual projections report on the future status of the Single-Employer and Multiemployer Programs.
11. Deliver an annual data book to educate stakeholders on the fundamental facts of the Single-Employer and Multiemployer Programs
12. Deliver informal guidance to multiemployer plans on the details of requesting early financial assistance from PBGC and process applications promptly.
13. Initiate meetings and/or events to educate and inform the multiemployer community (participants, plan sponsors, and stakeholders) on the effects of PBGC's solvency.
14. Monitor all multiemployer plans that are receiving financial assistance from PBGC and audit requests for financial assistance, insolvent plans, and higher risk terminated multiemployer plans to ensure accurate benefit payments to plan participants, efficient management of the remaining assets, and compliance with laws and regulations.
15. Promote the expanded Missing Participants Program, implement robust search procedures, and provide prompt payout when the identity of missing participants is confirmed.
16. Collect pension insurance premiums due.

<sup>6</sup> Enacted amount includes \$8.7 million for sequestration. It includes \$41.5 million not apportioned in FY 2017.

<sup>7</sup> The contingent increase included in the FY 2018 President's Budget for the costs associated with the acquisition and occupancy of a new headquarters space is not included.

## PENSION BENEFIT GUARANTY CORPORATION

<b>PBGC Strategic Plan</b>					
<b>Strategic Goal 2: Pay Pension Benefits on Time and Accurately</b>					
Strategic Objectives	Performance Strategies				
<ul style="list-style-type: none"> <li>• Promote exceptional customer service to pensioners</li> <li>• Ensure regular monthly benefit payments continue without interruption</li> <li>• Provide accurate and timely benefit calculations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain exemplary customer satisfaction ratings</li> <li>• Continue uninterrupted benefit payments in newly trustee plans</li> <li>• Process benefit applications timely</li> <li>• Improve the accuracy, timeliness, and completeness of benefit determinations</li> <li>• Provide a timely and efficient appeals process for PBGC benefit determinations</li> </ul>				
<b>Goal Leaders:</b>					
<ul style="list-style-type: none"> <li>• Chief of Benefits Administration</li> </ul>					
<b>Performance Measures &amp; Targets</b>					
Goal 2 Performance Measures & Targets	FY 2015 Result (Target)	FY 2016 Result (Target)	FY 2017 Result (Target)	FY 2018 Target	FY 2019 Target
Customer satisfaction rating for retirees and beneficiaries receiving benefits	91 (85)	90 (90)	91 (90)	90	90
Retirees in newly trustee plans receive uninterrupted benefit payments	100%	100%	(100%)	99%	99%
Benefit applications approved within 45 days	80% (87%)	87% (87%)	87% (87%)	87%	87%
Average time (years waiting) to issue benefit determinations (between trusteeship and benefit determination issuance)	4.8 (4.3)	6.3 (4.3)	6.2	6.0	5.5
Estimated benefits within 10 percent of final benefit determination	96% (95%)	96% (95%)	93% (95%)	95%	95%
<b>Performance Area (Dollars in thousands)</b>			<b>FY 2017<sup>8</sup></b>	<b>FY 2018<sup>9</sup></b>	<b>FY 2019</b>
Pension Plan Termination	Total Funding (Dollars in thousands)		164,416	170,040	194,179
	Total FTE		336	328	328

### **FY 2019 plan to achieve Goal 2 Performance Objectives:**

<sup>8</sup> Enacted amount includes \$8.7 million for sequestration. It includes \$41.5 million not apportioned in FY 2017.

<sup>9</sup> The contingent increase included in the FY 2018 President's Budget for the costs associated with the acquisition and occupancy of a new headquarters space is not included.



## PENSION BENEFIT GUARANTY CORPORATION

1. Reduce the number of unissued Benefit Determination Letters (BDLs) by prioritizing the oldest and the largest plans for completion.
2. Modernize and consolidate field office operations.
3. Resolve the majority of appeals within one year.

<b>PBGC Strategic Plan</b>	
Strategic Goal 3: Maintain High Standards of Stewardship and Accountability	
Strategic Objectives	Performance Strategies
<ul style="list-style-type: none"> <li>• Provide exceptional customer service</li> <li>• Meet or exceed the financial and ethical standards that apply to PBGC as a major financial and government institution, and monitor cash flows</li> <li>• Maintain effective IT Security</li> <li>• Maintain a high performing workforce</li> <li>• Encourage and support a diverse and inclusive work environment that encourages employee engagement</li> <li>• Strengthen enterprise risk management</li> <li>• Strengthen transparency, disclosure and communication</li> <li>• Strengthen contractor oversight to reduce enterprise-wide risks</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain exemplary customer satisfaction ratings</li> <li>• Manage investments prudently consistent with investment policy</li> <li>• Collect insurance premiums due</li> <li>• Continue to monitor the efficient use of PBGC’s cash flows</li> <li>• Maintain adequate IT security posture based on FISMA guidance and as measured by FISMA metrics</li> <li>• Retain and train a high-quality multidisciplinary workforce</li> <li>• Implement succession planning and workforce management activities</li> <li>• Foster a diverse, high-performing workforce</li> <li>• Support supervisors and managers on managing employee performance</li> <li>• Foster a culture of inclusion that encourages collaboration, flexibility and fairness</li> <li>• Implement enterprise risk management strategies</li> <li>• Provide effective and timely communication with plan participants and other stakeholders</li> <li>• Inform stakeholders about provisions of key legislative and regulatory proposals</li> <li>• Implement an enterprise-wide plan to improve contract oversight</li> </ul>
<p>Goal Leaders:</p> <ul style="list-style-type: none"> <li>• Chief Management Officer</li> <li>• Chief Financial Officer</li> <li>• Chief Information Officer</li> <li>• General Counsel</li> </ul>	
Performance Measures & Targets	

## PENSION BENEFIT GUARANTY CORPORATION

<b>PBGC Strategic Plan</b>					
Goal 3 Performance Measures & Targets	FY 2015 Result (Target)	FY 2016 Result (Target)	FY 2017 Result (Target)	FY 2018 Target	FY 2019 Target
<b>Customer satisfaction ratings:</b>					
• Plan filers	76 (72)	79 (73)	77 (73)	74	74
• My PAA	80 (78)	83 (79)	85 (79)	80	80
• Overall customer satisfaction*	75 (80)	73 (80)	72 (80)	80	80
• PBGC.gov website	74 (74)	74 (74)	72 (75)	75	75
• Participant caller	83 (85)	84 (83)	83 (83)	85	85
• MyPBA	77 (81)	76 (77)	76 (77)	77	77
Financial statement audit	Unmodified	Unmodified	Unmodified	Unmodified	Unmodified
Compliance with Improper Payments Elimination and Recovery Act	Yes	Yes	Yes	Yes	Yes
Reduce material weaknesses and significant deficiency	Progress	Progress	Progress	Reduce	Reduce
Compliance with the asset allocation listed in the current Investment Policy Statement	NA (New Metric)	NA (New Metric)	NA (New Metric)	Yes	Yes
Compliance with EEOC MD 715 model work environment	Yes	Yes	Yes	Yes	Yes
Compliance with OMB A-123 enterprise risk management requirements	NA (New Metric)	NA (New Metric)	NA (New Metric)	Yes	Yes
Score in the top 40% of reporting agencies on OMB's Annual FISMA Report	NA (New Metric)	NA (New Metric)	NA (New Metric)	Yes	Yes
Achieve a 69% positive score for employee engagement on the Federal Employee Viewpoint Survey	69%	72%	75%	69%	69%
Achieve a Diversity and Inclusion/New IQ Index score of 62% on the annual Federal Employee Viewpoint Survey	62%	64%	69%	62%	62%

## PENSION BENEFIT GUARANTY CORPORATION

<b>PBGC Strategic Plan</b>					
Develop a succession plan and a workforce management plan for every office and critical position	NA (New Metric)	NA (New Metric)	NA (New Metric)	75% complete	100% complete
<b>Performance Area (Dollars in thousands)</b>			<b>FY 2017<sup>10</sup></b>	<b>FY 2018<sup>11</sup></b>	<b>FY 2019</b>
Operational Support	Total Funding (Dollars in thousands)		232,289	162,901	171,500
	Total FTE		421	425	427

\*Targets are set for six-month calendar-year periods and do not necessarily align with the fiscal year

### **FY 2019 plan to achieve Goal 3 Performance Objectives:**

1. Conduct quality due diligence on PBGC's investment portfolios.
2. Continue to develop and implement risk management frameworks with continuous monitoring to ensure compliance with OMB circular A-123 to mitigate, reduce or accept identified risks.
3. Integrate the Framework for Improving Critical Infrastructure Cybersecurity (M-17-25) into the IT management process.
4. Insure legal and regulatory compliance through implementation of appropriate policies, procedures, standards and guidance to achieve an unmodified audit opinion.
5. Adhere to GSA guidelines to acquire new office space.
6. Provide ethics training to at least 98% of new employees within 90 days of hiring.
7. Provide privacy training for all new employees and contractors before badging or network access 99% of the time.
8. Research and implement at least six targeted improvements per year to agency communications (including PBGC.gov) in response to customer feedback and key performance indicators (surveys, etc.).
9. Maximize stakeholder education and outreach by holding frequent meetings with participant groups, plan sponsors, practitioner groups, industry associations, and other interested stakeholders.
10. Provide data-driven communications to stakeholders based on the latest pension research, data and projections.
11. Inform plan participant and practitioners of key newly published regulations through speaking engagements at stakeholder conferences and through interviews.
12. Implement ongoing workshops or training to improve contractor oversight.

<sup>10</sup> Enacted amount includes \$8.7 million for sequestration. It includes \$41.5 million not apportioned in FY 2017.

<sup>11</sup> The contingent increase included in the FY 2018 President's Budget for the costs associated with the acquisition and occupancy of a new headquarters space is not included.

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**TABLE 1: SUMMARY OF PBGC MEASURES AND ACTIVITIES**

	2017 Target	2017 Actuals	2016 Actuals
<b>Preserve Plan and Protect Pensioners</b>			
People Protected in Plans Emerging From Bankruptcy		26,700	55,000
Standard Termination Audits: Additional Payments		\$4.6 million to 435 people	\$4.5 million to 940 people
<b>Pay Timely and Accurate Benefits</b>			
People Receiving Benefits – Single-Employer		840,000	840,000
People to Receive Benefits in Future – Single-Employer		552,000	559,000
People Receiving Benefits in Plans Receiving Financial Assistance – Multiemployer		63,000	59,000
People to Receive Benefits in Future in Plans Receiving Financial Assistance – Multiemployer		30,000	27,000
New Retiree On-time Payments	100%	100%	100%
Estimated Benefits Within 10 Percent of Final Calculation	95%	93%	96%
Average Time to Provide Benefit Determinations (years)	4.3	6.2	6.3
Improper Payment Rates within OMB Threshold <sup>12</sup>	<1.5%	Yes	Yes
Applications Processed in 45 Days	87%	87%	87%
<b>Maintain High Standards of Stewardship and Accountability</b>			
Retiree Satisfaction – ACSI <sup>13</sup>	90	91	90
Caller Satisfaction – ACSI	83	83	84
Premium Filer Satisfaction – ACSI	73	77	79
Overall Customer Satisfaction <sup>14</sup>	80	72	73
Contract Awards Fully Competed		77%	75%
Financial Surplus (Deficit) – Single-employer		(\$10.9 billion)	(\$20.6 billion)
Financial Surplus (Deficit) – Multiemployer		(\$65.1 billion)	(\$58.8 billion)

<sup>12</sup> The OMB threshold for significant improper payment reporting is as follows: amounts that exceed (1) both 1.5 percent and \$10 million in improper payments, or (2) \$100 million in improper payments as outlined in OMB Circular No. A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control, Appendix C, Requirements for Effective Estimation and Remediation of Improper Payments (10/20/2014).

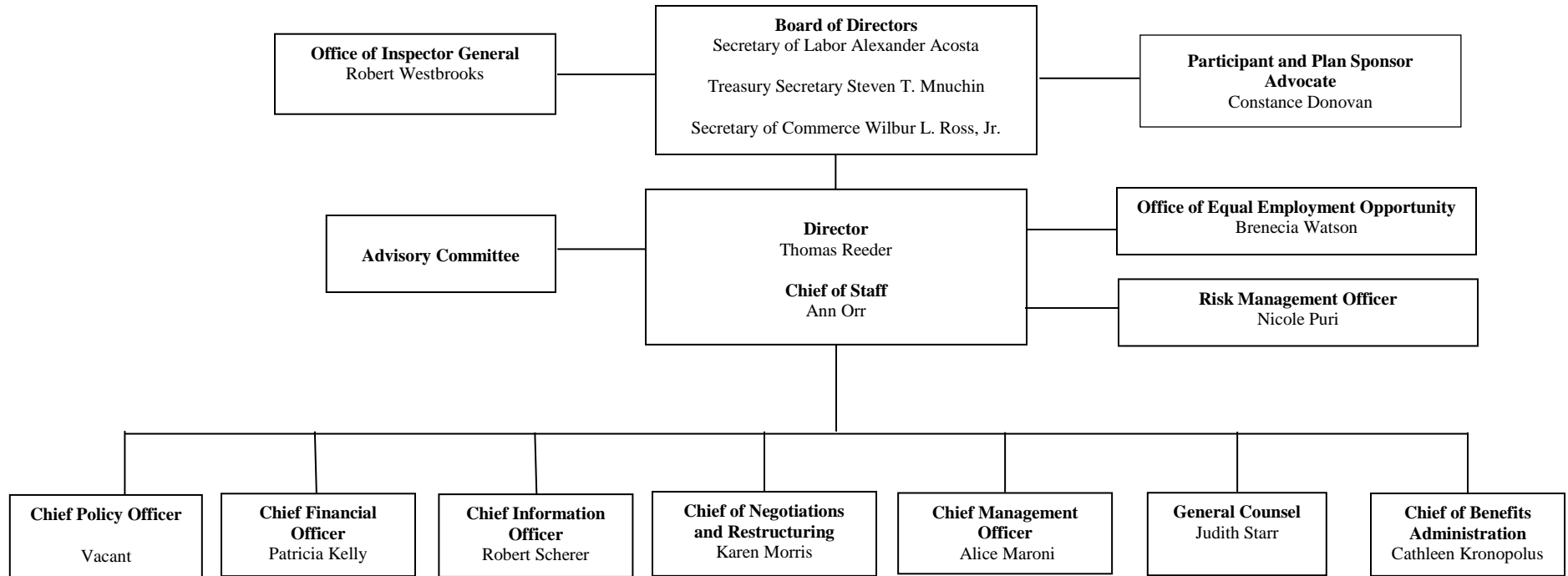
<sup>13</sup> The American Customer Satisfaction Index (ACSI) uses a 0-100 scale; 80 or above is considered excellent.

<sup>14</sup> Measures customer satisfaction with information and services provided by the Corporation.

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Unmodified Audit Opinion	Yes	Yes	Yes
Compliance with EEOC Management Directive 715	Yes	Yes	Yes

## ORGANIZATION CHART



## CONSOLIDATED ADMINISTRATIVE ACTIVITIES

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request / FY18 Full Year C.R.</b>
<b>Activity Appropriation</b>	<b>510,757</b>	<b>412,412</b>	<b>445,363</b>	<b>32,951</b>
FTE	968	964	968	4

Note: FY 2017 reflects actual FTE. Authorized FTE for FY 2017 was 964.

### Introduction

#### *Consolidated Administrative Activity*

PBGC’s administrative activities support the following areas:

- Preserve plans and protect pensioners
- Pay pension benefits on time and accurately
- Maintain high standards of stewardship and accountability

These operations are conducted by:

The **Office of Policy and External Affairs** (OPEA) oversees and directs outreach to and interactions with Congress and Executive Branch agencies, the press, stakeholder groups, and the public. It also manages the development, analysis, and review of legislative and policy proposals and regulations. OPEA includes two departments:

- **Communications Outreach and Legislative Affairs** (COLA) - is responsible for organizing, directing, and implementing a comprehensive external and internal communications program to enhance the knowledge and understanding of the PBGC mission, programs and services by the various customers it serves. COLA coordinates PBGC’s interactions with the press and various stakeholders, including organizations that represent pension plan participants, pension practitioners/administrators, plan sponsors, and Congress.
- **Policy, Research and Analysis Department** (PRAD) - develops policy for PBGC's insurance programs and conducts related research and modeling. Policy activity encompasses legislative and regulatory analysis and proposal development related to benefit guarantees, employer liability, and premiums. Research addresses actuarial and financial issues to support policy development and involves modeling for forecasting purposes.

The **Office of the Chief Financial Officer** (CFO) includes three PBGC departments that plan and oversee the Corporation's financial and internal control and review functions:

- **Contracts and Controls Review Department** (CCRD) - prepares reports regarding: (1) the effectiveness of PBGC internal controls, systems, and programs; (2) whether ongoing

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defined benefit pension plans are in compliance with PBGC regulations regarding premiums and funds advanced to multiemployer plans; and (3) whether contractors performing services for PBGC are in compliance with PBGC's acquisition policies and contractual requirements. CCRD also serves as the agency liaison for audits conducted by PBGC's Office of Inspector General and the Government Accountability Office and is responsible for administering PBGC's Management Controls Program.

- **Corporate Investment Department (CID)** - provides investment management services for plans trusted by the PBGC and for assets managed by the Corporation.
- **Financial Operations Department (FOD)** - establishes and maintains the Corporation's financial and accounting systems, financial management policy, financial procedures, accounting operations, financial reporting and account analysis activities, the investment management program, the premium income program and the debt collection program.

The **Office of Information Technology (OIT)** is responsible for the Corporation's information technology (IT) program. OIT provides IT and electronic communications services and support to PBGC; plans for, directs and coordinates the allocation of corporate resources for IT services, support and related activities; delivers IT business solutions driven by customer requirements; operates, maintains and safeguards PBGC business and infrastructure systems; and oversees the acquisition of IT resources for PBGC.

The **Office of Management and Administration (OMA)** plans and directs the efficiency and effectiveness of the Corporation's management and administrative policies and programs including strategic planning, customer service, budget, procurement, human resources, quality management, and facilities and services. The OMA includes five departments:

- **Budget Department (BD)** plans, administers and reports on the Corporation's budget. BD manages the formulation and execution of PBGC's budget, ensuring that it is executed within resources provided and manages the allocation and reallocation of resources, including full-time-equivalent work years. BD serves as PBGC's primary contact for budget matters at OMB, DOL and Congress.
- **Human Resources Department (HRD)** fosters an inclusive work environment by formulating, coordinating and executing human capital initiatives, programs and policies that support the Corporation's mission, goals, and business objectives. HRD implements strategies to attract and retain a diverse and highly skilled workforce to include persons with disabilities and disabled veterans, while also supporting PBGC supervisors, managers and senior leaders by providing a robust Management and Leadership (M&L) Training Program designed to strengthen leadership and individual performance.
- **Procurement Department (PD)** is responsible for the acquisition of all goods and contract services used by PBGC to accomplish its mission.
- **Quality Management Department (QMD)** develops the Corporation's strategic plan, annual performance plan and annual performance report, while assessing business processes and customer feedback to identify improvements and opportunities for learning and development. QMD uses performance data to inform corporate decisions and



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employs business analytics to support continuous process improvement in support of PBGC's mission.

- **Workplace Solutions Department (WSD)** plans and administers PBGC's facility management, including its lease administration and space utilization programs, office support, building safety, Continuity of Operations (COOP), disaster preparedness and recovery programs, and records management program.

The **Office of the General Counsel (OGC)** provides legal advice and counsel for the Director and the Corporation on all legal issues confronting the Corporation, including ERISA and/or bankruptcy related legal actions, decides administrative appeals of benefit coverage and other determinations, and administers the disclosure and other requirements of the Freedom of Information Act (FOIA) and the Privacy Act.

- **Bankruptcy, Litigation, and Terminations Department** - provides comprehensive legal services to PBGC relating to enforcement of PBGC's ERISA programs and supports the General Counsel.
- **Bankruptcy, Transactions, and Terminations Department** - provides comprehensive legal services to PBGC relating to enforcement of PBGC's ERISA programs and support to the General Counsel.
- **General Law and Operations Department** - provides legal advice and counsel for the General Counsel and the Corporation on all general law issues confronting the Corporation, decides administrative appeals of benefit coverage and other determinations, and administers the disclosure and other requirements of the Freedom of Information Act (FOIA) and the Privacy Act.
- **Program Law and Policy Department** - provide comprehensive legal advice and counsel for the General Counsel and the Corporation with respect to legislative, regulatory, and policy issues pertaining to PBGC's mission; comprehensive legal services with respect to PBGC's Multiemployer Program; and legal advice with respect to PBGC's benefit determinations.

The **Office of Negotiations & Restructuring (ONR)** works with companies, both in and out of bankruptcy, to preserve their pension plans by monitoring, conducting financial, legal, and actuarial analysis, and negotiating protections. When plans cannot be preserved, ONR pursues claims to recover additional assets that help PBGC pay benefits. ONR's responsibilities also include PBGC's review of standard terminations and management of the Multiemployer Insurance Program and actuarial analysis of single-employer and multiemployer plan transactions to enable PBGC to mitigate risks to both of its insurance programs.

- The **Corporate Finance & Restructuring Department (CFRD)** - monitors the corporate events and transactions of defined benefit pension plan sponsors and provides financial analysis to enable PBGC to mitigate risks to the insurance program, increase overall plan funding levels, and maximize recoveries for plans that terminate. In coordination with the Office of the General Counsel, CFRD determines and pursues recoveries of employer liability and unpaid employer contributions, makes recommendations concerning the filing of liens, and makes recommendations to the Internal Revenue Service concerning conditions for granting waivers of minimum funding standards.

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The **Office of Benefits Administration (OBA)** plans and directs the operations of the Corporation's Single-Employer Benefits Administration Programs relating to insured on-going pension plans, plan termination and benefit administration as well as guides the review and interpretation of the impact of new policies, procedures, regulations and statutes on program operations, and ensures that resources are properly employed to meet their requirements.

- The **Actuarial Services and Technology Department (ASTD)** - provides actuarial oversight and expertise supporting PBGC benefit calculation, valuation, and administration; and provides programmatic management, technical support, and quality assurance for the OBA systems. ASTD provides actuarial expertise and support in the development, operation and evaluation of PBGC insurance programs; develops actuarial principles, policy, and techniques to calculate and value Termination Benefits under Title IV of ERISA and determine post-termination and probable plan reserve calculations of plan liabilities; provides actuarial expertise in training; conducts quarterly valuations for PBGC financial statement purposes and conducts experience studies of the PBGC's actuarial assumptions; provides oversight for the OBA systems (Actuarial, Benefit Administration, and other systems); provides technical services that support OBA plan processing; oversees the planning, organizing and coordinating of OBA's security strategy risk management plan and management of security system assets; and supports other divisions and departments of PBGC.
- The **Participant Services Department (PSD)** - provides benefit administration services for trustee plans, settlement agreements and assigned non-trustee plans in accordance with OBA standards for quality and timeliness. PSD oversees the delivery of tier one customer support; field offices and headquarters staff engaged in benefit administration for both estimated and final plans and tier two customer support; the delivery of foreign language services for oral and written communications with customers; the post-approval processes associated with the disbursement of benefit payments and the aftermath; the prevention, recoupment, and recovery of benefit overpayments; outgoing mail processing associated with benefit administration; administration of the Missing Participant Program which includes maintenance of the public unclaimed pension search feature located on [pbgc.gov](http://pbgc.gov) for the purpose of reconnecting lost pensioners with their pensions and the associated location and payment setup for lost pensioners; PSD ensures the delivery of services satisfy OBA standards for quality and timeliness; oversees commercial contracts and inter-agency agreements associated with the delivery of the above services; provides post-approval benefit payment services for trustee plans; oversees settlement agreements; provides case processing oversight; provides policy development and facilitates the resolution of issues affecting policy.
- The **Plan Asset and Data Management Department (PADMD)** - administers the OBA plan asset evaluations, participant data and records management programs by using auditor judgement and other analytical procedures; and oversees the preservation of evidence supporting individual participant calculations and financial reporting. PADMD oversees the evaluation of trustee plan assets and non-actuarial liabilities; identifies potential instances of plan fraud and fiduciary breach activities; directs trustee plans data management program; oversees the collection and review of financial data and evaluation of internal controls; and administers and monitors the Records Management and IRS/SSA Safeguard Programs for OBA.

## CONSOLIDATED ADMINISTRATIVE ACTIVITIES

The **Office of Inspector General** (OIG) is an independent entity within PBGC. OIG’s mandate is to detect and prevent fraud, waste, abuse, and violations of law, and to promote economy, efficiency and effectiveness in PBGC programs and operations. As an agent of positive change, the OIG provides management advice and makes recommendations to improve PBGC management and program operations as a result of independently conducted audits, evaluations, and investigations. The OIG reports directly to PBGC’s Board of Directors and Congress regarding major developments associated with audit and investigative missions, including a required semiannual report of accomplishments.

The **Participant and Plan Sponsor Advocate** (PPSA) appointed by the PBGC Board of Directors acts as a liaison between PBGC, sponsors of defined benefit plans and participants in plans trusted by the PBGC. The advocate helps resolve disputes between PBGC and sponsors or participants, and advocates for the rights of people in plans trusted by PBGC. The advocate provides an annual report summarizing issues raised and makes recommendations for legislative and administrative changes.

The **Risk Management Officer** (RMO) is responsible for fostering a transparent risk culture that encourages employees to communicate information about potential and current risks to the agency, ensuring the implementation of risk responses that are aligned with the agency’s mission, and developing a common understanding of risk across various offices and departments. To achieve this, the agency will develop both an Enterprise Risk Management (ERM) framework and processes for Risk Management that identify, evaluate, quantify, mitigate and monitor risks from all sources across the agency. The processes are presently being developed and will mature over time.

### Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> <sup>15</sup> (Dollars in Thousands)	<u>FTE</u>
2014	\$496,634	956
2015	\$406,425	977
2016	\$423,163	942
2017	\$510,757	964
2018 <sup>16</sup>	\$0	0

<sup>15</sup> In FY 2015 and prior years, the PBGC administrative budget included three activities: Pension Insurance, Pension Plan Termination and Benefits Administration and Operational Support. Investment Management Fees were included in the administrative budget in FY 2013 and FY 2014; beginning in FY 2015, Investment Management Fees are treated as a separate program activity and are not included in the FY 2015 through FY 2017 funding column.

<sup>16</sup> A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared.

# CONSOLIDATED ADMINISTRATIVE ACTIVITIES

## **FY 2019 Goals:**

- Reduce case backlog.
- Initiate Benefit Calculation System improvement.
- Maximize stakeholder input by holding frequent and regular meetings and/or events with participant groups, plan sponsors, practitioner groups, industry associations, and other interested or affected stakeholders.
- Protect pensioners by proactively monitoring PBGC's largest exposure for transactions that may pose substantial risks to participants and retirees.
- Reduce administrative and regulatory burdens on plan sponsors.
- Initiate meetings and/or events to educate and inform the multiemployer community (participants, plan sponsors, and stakeholders) on the effects of the insolvency.
- Promote the expanded Missing Participants Program and implement robust search procedures.
- Reduce the number of unissued Benefit Determination Letters (BDLs) by prioritizing the oldest and the largest plans for completion.
- Modernize and consolidate field office operations.
- Collect pension insurance premiums due.
- Conduct quality due diligence on the PBGC investment portfolios.
- Continue to develop and implement risk management frameworks with continuous monitoring to ensure compliance with OMB circular A-123 to mitigate, reduce or accept identified risks.
- Integrate the Framework for Improving Critical Infrastructure Cybersecurity (M-17-25) into the IT management process.

## **FY 2018 PBGC priorities include:**

- Implement effective changes to the Multiemployer Program by working in concert with other ERISA agencies and by supporting policy development, research, and technical assistance requests, as demonstrated by reports to the Board and conformance to required deadlines.
- Implement effective changes to the Single-Employer Program to decrease burden on plan sponsors as demonstrated by timely implementation of regulatory and programmatic changes.
- Enhance the quality of OBA production and reduce the plan inventory as demonstrated by Quarterly Performance Reports.
- Improve the internal control environment, including IT Security, with progress on clearing significant deficiencies and IG findings.
- Improve employee morale and trust levels through more effective and frequent communication as measured by the Federal Employee Viewpoint Survey (FEVS) employee engagement scores that exceed the government average.
- Enhance PBGC's enterprise and fraud risk management by continuing to pursue the ERM framework outlined in OMB's Circular A-123.
- Enhance customer service as measured by customer satisfaction scores.

## CONSOLIDATED ADMINISTRATIVE ACTIVITIES

### **FY 2017 PBGC accomplishments include:**

- Continued responding to major statutory changes enacted by MPRA and address the resulting expected increase in the number of plan requests for partitions, mergers, and financial assistance.
- Continued to provide actuarial analysis in response to Department of the Treasury's request for review of MPRA benefit suspension applications.
- Continued efforts to reduce inventory of terminated single-employer plans awaiting final benefit determinations through elevated production levels of Plan Asset Evaluations.
- Continued the modernization of the Integrated Present Value of Future Benefits system.
- Continued to focus on employee engagement through internal departmental customer satisfaction surveys.
- Continued planning and coordinating the HQ lease replacement.
- Enhanced the peer review of the (Single-Employer and Multiemployer) Pension Insurance Modeling System (PIMS).
- Reduced the remaining two material weaknesses down to significant deficiencies and as a result achieved an unmodified audit opinion of internal control over financial reporting for the first time, continue to address the three significant deficiencies and other IG findings.
- Began development and implementation of an enterprise risk management strategy following the framework outlined in OMB's Circular A-123.

## **CONSOLIDATED ADMINISTRATIVE ACTIVITIES**

### **Workload Summary**

The general trends and challenges facing PBGC are those that face the Defined Benefit (DB) Pension Plan community as a whole. The need for financial and actuarial analysis, along 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 need to carefully monitor insured pension plans reflects the evolving 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).

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 relative to plan contributions, and significant exposure to future losses suggest increasing risks to the insurance programs and higher demands on PBGC, particularly in the Multiemployer Program.

## CONSOLIDATED ADMINISTRATIVE ACTIVITIES

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request / FY18 Full Year C.R.</b>
11.1	Full-time permanent	109,452	110,452	111,852	1,400
11.3	Other than full-time permanent	1,555	1,664	1,664	0
11.5	Other personnel compensation	4,005	3,995	3,995	0
11.9	<b>Total personnel compensation</b>	<b>115,012</b>	<b>116,111</b>	<b>117,511</b>	<b>1,400</b>
12.1	Civilian personnel benefits	36,948	35,944	36,554	610
13.0	Benefits for former personnel	39	36	36	0
21.0	Travel and transportation of persons	1,163	1,281	1,281	0
22.0	Transportation of things	1	1	1	0
23.2	Rental payments to others	51,056	30,128	30,128	0
23.3	Communications, utilities, and miscellaneous charges	5,207	4,152	4,152	0
24.0	Printing and reproduction	178	201	201	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	287,028	214,392	242,044	27,652
25.3	Other goods and services from Federal sources 1/	5,800	4,700	4,700	0
26.0	Supplies and materials	2,515	2,449	2,449	0
31.0	Equipment	5,810	3,017	6,306	3,289
33.0	Investments and Loans	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>510,757</b>	<b>412,412</b>	<b>445,363</b>	<b>32,951</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	5,800	4,700	4,700	0

# CONSOLIDATED ADMINISTRATIVE ACTIVITIES

## CHANGES IN FY 2019

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Costs of pay adjustments	\$544
Personnel benefits	256
One day more of pay	588
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	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	-577
Other goods and services from Federal sources	0
Supplies and materials	0
Equipment	-11
Insurance claims and indemnities	0
Investment and Loans	0

**Built-Ins Subtotal** **800**

**Net Program** **\$32,151**

**Direct FTE** **4**

	Estimate	FTE
<b>Base</b>	<b>\$413,212</b>	<b>964</b>
<b>Program Increase</b>	<b>\$32,151</b>	<b>4</b>
<b>Program Decrease</b>	<b>\$0</b>	<b>0</b>



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<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Agency Request</b>	<b>Diff. FY19 Agency Request / FY18 Request</b>
Activity Appropriation	6,533	6,534	6,802	268
FTE	21	25	25	0

Note: FY 2017 reflects actual FTE. Authorized FTE for FY 2017 was 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 and has no programmatic responsibility. The OIG provides objective written work products to the PBGC Board of Directors, agency management, and Congress about PBGC programs and operations. These work products include audits, evaluations, inspections, investigations, and reviews. In addition to conducting statutorily-required projects and reports, the OIG responds to Hotline complaints and requests from Members of Congress, and conducts other projects as necessary to address operational, financial, IT, and programmatic risks.

Under the IG Act, the agency head is the PBGC Board of Directors. OIG communicates with Board Representatives through regular monthly conference calls and participates in formal Board meetings. On a day-to-day basis, the Inspector General communicates with the PBGC Director, Executive Management Committee members, and department directors about risks, problems and deficiencies in programs administered by PBGC, and the need for timely corrective action. OIG keeps Congress informed through the IG's Semiannual Report to the Congress, audit reporting requirements, meetings and briefings with Members and their staffs, and congressional testimony.

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 \$6,801,502. Of that amount, \$51,000 is requested for training, and \$17,434 is requested to support the Council of Inspectors General on Integrity and Efficiency.
- I certify that \$51,000 will satisfy the training requirements for FY 2019.

### **FY 2019**

#### ***Planned OIG Activities Include:***

- Conduct statutorily-required audits, including financial statements, FISMA, IPERA, and DATA Act, and to address whistleblower complaints and congressionally-requested work.
- Continue to address aging, outstanding audit recommendations, focusing on Significant Deficiencies.
- Conduct investigations that are impactful to our stakeholders, especially in the areas of preventing financial abuse of vulnerable participants, procurement fraud and employee integrity.

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We anticipate conducting an audit and investigations peer review of another OIG.

### **FY 2018**

#### ***Planned OIG Activities Include:***

- Conduct statutorily-required audits, including financial statements, FISMA, IPERA, and DATA Act, and to address whistleblower complaints and congressionally-requested work.
- Conduct investigations that are impactful to our stakeholders, especially in the areas of preventing financial abuse of vulnerable participants, procurement fraud and employee integrity.
- Provide oversight in the conduct of contracted work associated with the information technology vulnerability assessment and penetration testing.
- Review of ethics program controls to identify holdings and trade restrictions in the Office of Negotiations and Restructuring (ONR).
- Evaluate effectiveness of PBGC's early warning pension plan monitoring program.
- Evaluate controls of the Pension Insurance Modeling System (PIMS).
- Conduct periodic assessment of PBGC's compliance with the Government Charge Card Abuse Prevention Act of 2012.

### **FY 2017**

#### **Notable OIG Accomplishments Include:**

OIG work products with a focus on the three Top Management Challenges [(1) Information Technology, (2) Transparency and Accountability of Professional Services Contracting, and (3) Modernization of PBGC's Key Benefits-Related Technology Systems] and other statutorily-required and risk-based projects.

- **Risk Advisory on Personally Identifiable Information and Data Loss Prevention Control Weaknesses.** OIG issued a Risk Advisory to share concerns relating to a non-malicious data breach and data loss prevention tools, which are currently insufficient to prevent data exfiltration. The OIG made a suggestion to PBGC to reduce the risk of breach or leakage of sensitive information including PII and to ensure compliance with federal requirements.
- **Evaluation on information security weaknesses.** OIG filed the FISMA template report with OMB, assessing PBGC's information security posture and detailed on-going IT security weaknesses in the financial statement internal control report. OIG issued a narrative FISMA report and a report on vulnerability assessment and penetration testing. Each described additional significant vulnerabilities that will require corrective action on the part of PBGC. OIG made 20 recommendations in these two reports.
- **Risk Advisory on Contract Oversight - Disclosures by Technical Evaluation Panel.** OIG issued this Risk Advisory to report its observations related to a Technical Evaluation Panel (TEP) member's failure to disclose information of a potential lack of impartiality, or the appearance thereof, in performing his duties. To mitigate the risk OIG suggested that the Procurement Department modify the Conflict of Interest Certification form to require disclosure of prior employment and provide future TEP members with the example during training sessions.

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- **Financial statement audit.** OIG issued several reports related to the audit of PBGC's financial statements for the year ending September 30, 2016 and 2015, including the 24<sup>th</sup> consecutive unqualified opinion on the financial statements. OIG found that PBGC maintained in all material respects, effective internal control over financial reporting; however, OIG noted four Significant Deficiencies. PBGC otherwise made notable progress in completing corrective actions that resulted in closure of 16 prior year recommendations. OIG issued 9 new recommendations, resulting in 14 open management letter audit recommendations.
- **Audit on Premium Exemption Determinations.** OIG found that PBGC premium exemption determinations can be improved with additional supporting documentation. For the 19 plans OIG reviewed, 13 of the exemptions lacked documentation supporting the plan's basis for exemption. OIG further found that team leaders did not always review coverage exemptions, as required. Lastly, OIG identified three substantial owner exemptions, granted by PBGC, that require further review. OIG issued four recommendations to management.
- **Audit of Administrative Expenses for Insolvent Multiemployer Plans.** OIG found that PBGC adequately ensured that financial assistance recurring administrative expenses were reasonable, necessary, and adequately supported. For the nine plans OIG reviewed, PBGC properly assessed multiemployer plans' administrative expenses and processed recurring financial assistance requests. However, OIG identified two opportunities where MEPD could strengthen data quality and monitoring to ensure recurring administrative expenses for financial assistance are necessary and reasonable.
- **Agreed-Upon Procedures Report on Accuracy of Multiemployer Benefit Computations.** OIG hired an Independent Public Accountant to analyze three multiemployer plans receiving financial assistance from PBGC. The IPA actuaries evaluated 48 test lives across the 3 plans, and they noted a number of exceptions. These exceptions do not necessarily denote overpayments requiring recoupment, but they do warrant PBGC's further examination. The OIG recommended corrective action to determine which exceptions require benefit adjustments from plan sponsors, and to seek recoupment if necessary.
- **Evaluation of PBGC's Compliance with the Improper Payments Information Act.** As required by the Improper Payments Information Act (IPIA) of 2002, as amended, OIG reviewed PBGC's compliance with improper payment requirements. For this FY, PBGC assessed Payments to Contractors and Multiemployer Financial Assistance Payments and determined the payment streams were not susceptible to significant improper payments. OIG determined that PBGC is compliant with the improper payment requirements.
- **Inspection of PBGC's Employee Mass Transit Benefit Program.** OIG conducted this inspection of PBGC's Employee Mass Transit Benefit Program implementation to assess whether there were adequate internal controls in place, and to determine compliance with PBGC policies for the program. During the course of its inspection, OIG identified several opportunities for improvement. Based on its findings OIG issued two recommendations.
- **Special Report on Review of PBGC Antideficiency Act Conclusion.** OIG conducted a

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review of PBGC's prior conclusion regarding the interpretation of the Antideficiency Act and Recording Act with respect to PBGC's multiyear lease authority. OIG determined that OGC's conclusion that there are no Antideficiency Act issues with respect to PBGC's 10-year leases was inconsistent with: (1) legal authority interpreting the Act; (2) the decisions of other agencies to report a violation of the Act under similar circumstances; and (3) PBGC's own report of a violation of the Act in connection with voluntary services by an independent contractor.

- **Investigative Activity.** OIG focuses investigative resources on program integrity, financial fraud against vulnerable participants, and PBGC employee conduct matters. OIG uses data analytics and the Data Matching Act exemption to detect fraud. OIG investigations included:
  - A Michigan Center, MI woman pleaded guilty to having stolen and converting PBGC pension benefits payable to her deceased mother. She was sentenced to jail, followed by supervised released, and ordered to pay restitution to the PBGC.
  - An Essex County, NJ man was sentenced to probation for fraudulently obtaining PBGC pension benefits after his father's death. The defendant was ordered to pay restitution to PBGC.
  - The State of Iowa filed felony theft charges against a Bolivar, MO woman in connection with her alleged theft of Social Security and PBGC pension benefits from her father-in-law, a vulnerable PBGC participant. The participant, who suffers from cognitive issues, was abandoned at a nursing home. OIG discovered that the woman endorsed and cashed her father-in-law's pension checks and kept the funds for herself. Further, she did not pay any of her father-in-law's expenses at the nursing home.
  - A Warren, OH man was indicted for theft of government funds after fraudulently receiving PBGC pension benefits for over 14 years to which he knew he was not entitled. This individual was identified through the OIG's Deceased Participants Data Matching initiative. To identify pension benefit fraud involving deceased participants, OIG compared PBGC participant data with HHS data. OIG identified a number of deceased participants dating back to 2002 who do not appear on the SSA master death file. OIG referred four cases back to the PBGC for termination of benefits that were declined for prosecution and anticipate referring additional cases.

### On-Going OIG Work Includes:

- **Review of Spectrum 4.0 IT modernization.** OIG is reviewing alleged mismanagement and program deficiencies with the Spectrum 4.0 application update. Spectrum is a web-based benefits administration application that provides data load management, customer and benefits management, and payment processing. The system services over 3 million active customers and averages over 800,000 payments per month. The goal of Spectrum 4.0 was to replace functionality of obsolete legacy apps and address material weakness and significant deficiency audit findings.

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- **Annual Financial Statements Audit.** The Chief Financial Officers Act of 1990 mandates that OIG conduct this audit or hire an independent public accounting firm. OIG contracts with an independent public accounting firm to conduct this work under its general oversight.
- **Evaluation of PBGC’s Risk Mitigation and Early Warning Program.** OIG is conducting an evaluation to assess the extent of the Early Warning Program’s effectiveness in achieving its desired results and the volume, nature, and causes of plan sponsor complaints concerning the program.
- **Announcement of Audit of DATA Act Implementation.** OIG is conducting this audit to assess the (1) completeness, timeliness, quality, and accuracy of fiscal year 2017 second quarter financial and award data submitted for publication on USASpending.gov and (2) PBGC’s implementation and use of the government-wide financial data standards established by OMB and Treasury.
- **Audit of Anti-Fraud Controls within the MyPBA Online Service.** OIG announced that it initiated an audit of anti-fraud controls within the MyPBA Online Service. Its objective is to assess the effectiveness of internal controls to prevent and detect unauthorized MyPBA transactions.

### Workload Summary

Action	Alignment to PBGC Strategic Goal	Cost FY 2018	Cost FY 2019	Performance Goal	Metric	Target Date
<i>Time on Critical, high risk or high impact activities</i>	<i>Goals 1- 3</i>	<i>\$6,534,000</i>	<i>\$6,801,502</i>	Percentage of OIG professional staff direct time dedicated	<i>90%</i>	<i>FY 2019</i>
<i>Timely presentation of audit findings and recommendations</i>	<i>Goals 1- 3</i>			Percentage of audits and evaluations where findings and recommendations are presented to auditee within established timeframes	<i>85%</i>	<i>FY 2019</i>
<i>Addressing complaints timely</i>	<i>Goals 1- 3</i>			Percentage of complaint/allegation inquiries converted to investigations or closed within 60 days	<i>85%</i>	<i>FY 2019</i>

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<b>BUDGET ACTIVITY COMPONENT BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Agency Request</b>	<b>Diff. FY19 Agency Request / FY18 Request</b>
11.1	Full-time permanent	2,835	2,942	3,003	61
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	36	36	36	0
11.9	<b>Total personnel compensation</b>	<b>2,871</b>	<b>2,978</b>	<b>3,039</b>	<b>61</b>
12.1	Civilian personnel benefits	994	1,029	1,051	22
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	48	48	48	0
22.0	Transportation of things	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	2,413	2,272	2,468	196
25.3	Other goods and services from Federal sources 1/	150	150	150	0
26.0	Supplies and materials	25	12	12	0
31.0	Equipment	31	44	33	-11
	<b>Total</b>	<b>6,533</b>	<b>6,534</b>	<b>6,802</b>	<b>268</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	150	150	150	0

# OFFICE OF INSPECTOR GENERAL

## CHANGES IN FY 2019 (Dollars in Thousands)

**Activity Changes**

**Built-In**

To Provide For:

Costs of pay adjustments		\$53
Personnel benefits		19
One day more of pay		11
Benefits for former personnel		0
Travel and transportation of persons		0
Transportation of things		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
Supplies and materials		0
Equipment		-11

**Built-Ins Subtotal** **\$72**

**Net Program** **\$196**

**Direct FTE** **0**

	Estimate	FTE
<b>Base</b>	<b>\$6,606</b>	<b>25</b>
<b>Program Increase</b>	<b>\$196</b>	<b>0</b>
<b>Program Decrease</b>	<b>\$0</b>	<b>0</b>





## INVESTMENT MANAGEMENT FEES PROGRAM

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request / FY18 Full Year C.R.</b>
<b>Activity Appropriation</b>	<b>113,484</b>	<b>110,630</b>	<b>117,400</b>	<b>6,770</b>
FTE	0	0	0	0

### Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2014*	\$0	0
2015	\$96,384	0
2016	\$103,906	0
2017	\$113,484	0
2018**	\$0	0

\*Note: Prior to FY 2015, Investment Management Fees were included in the administrative budget.

\*\*Note: A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared

## INVESTMENT MANAGEMENT FEES PROGRAM

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request / FY18 Full Year C.R.</b>
25.1	Advisory and assistance services	113,484	110,630	117,400	6,770
	<b>Total</b>	<b>113,484</b>	<b>110,630</b>	<b>117,400</b>	<b>6,770</b>

# INVESTMENT MANAGEMENT FEES PROGRAM

## CHANGES IN FY 2019

(Dollars in Thousands)

**Activity Changes**

**Built-In**

To Provide For:

One day more of pay	\$0
Advisory and assistance services	0
Insurance claims and indemnities	0

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

**Net Program** **\$6,770**

**Direct FTE** **0**

	Estimate	FTE
<b>Base</b>	<b>\$110,630</b>	<b>0</b>
<b>Program Increase</b>	<b>\$6,770</b>	<b>0</b>
<b>Program Decrease</b>	<b>\$0</b>	<b>0</b>



## SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request / FY18 Full Year C.R.</b>
<b>Activity Appropriation</b>	<b>6,287,590</b>	<b>6,576,000</b>	<b>7,212,000</b>	<b>636,000</b>
FTE	0	0	0	0

### Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2014	\$5,827,000	0
2015	\$5,818,000	0
2016	\$6,280,000	0
2017	\$6,287,590	0
2018	\$0	0

Note: A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared.

## SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request / FY18 Full Year C.R.</b>
42.0	Insurance claims and indemnities	6,287,590	6,576,000	7,212,000	636,000
	<b>Total</b>	<b>6,287,590</b>	<b>6,576,000</b>	<b>7,212,000</b>	<b>636,000</b>

# SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

## CHANGES IN FY 2019

(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** **\$636,000**

**Direct FTE** **0**

	Estimate	FTE
<b>Base</b>	<b>\$6,576,000</b>	<b>0</b>
<b>Program Increase</b>	<b>\$636,000</b>	<b>0</b>
<b>Program Decrease</b>	<b>\$0</b>	<b>0</b>





## MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request / FY18 Full Year C.R.</b>
<b>Activity Appropriation</b>	<b>158,600</b>	<b>167,000</b>	<b>204,000</b>	<b>37,000</b>
FTE	0	0	0	0

### Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2014	\$112,000	0
2015	\$152,000	0
2016	\$250,000	0
2017	\$158,600	0
2018	\$0	0

Note: A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared.

**MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE**

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2017 Enacted</b>	<b>FY 2018 Full Year C.R.</b>	<b>FY 2019 Request</b>	<b>Diff. FY19 Request / FY18 Full Year C.R.</b>
33.0	Investments and Loans	158,600	167,000	204,000	37,000
	<b>Total</b>	<b>158,600</b>	<b>167,000</b>	<b>204,000</b>	<b>37,000</b>

# MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

## CHANGES IN FY 2019

(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** \$37,000

**Direct FTE** 0

	Estimate	FTE
<b>Base</b>	<b>\$167,000</b>	<b>0</b>
<b>Program Increase</b>	<b>\$37,000</b>	<b>0</b>
<b>Program Decrease</b>	<b>\$0</b>	<b>0</b>