

**FY 2020**

**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] 2020, for the Corporation: *Provided*, That none of the funds available to the Corporation for fiscal year [2019] 2020 shall be available for obligations for administrative expenses in excess of [\$445,363,000] \$452,858,000: *Provided further*, That to the extent that the number of new plan participants in plans terminated by the Corporation exceeds 100,000 in fiscal year [2019] 2020, an amount not to exceed an additional \$9,200,000 shall [be] *remain available until expended* [through September 30, 2020,] for obligations for administrative expenses for every 20,000 additional terminated participants: *Provided further*, That obligations in excess of the amounts provided *for administrative expenses* in this paragraph may be incurred for unforeseen and extraordinary pre-termination *or termination* expenses or extraordinary multiemployer program related expenses after approval by the Office of Management and Budget and notification of the Committees on Appropriations of the House of Representatives and the Senate: *Provided further*, That, *to the extent the Corporation’s expenses exceed \$250,000 for the provision of credit or identity monitoring to affected individuals upon suffering a security incident or privacy breach*, an additional amount shall [be] *remain available until expended* for obligations *for such expenses* [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], not to exceed an additional \$100 per affected individual.

*(Department of Labor Appropriations Act, 2019.)*

# PENSION BENEFIT GUARANTY CORPORATION

## ANALYSIS OF APPROPRIATION LANGUAGE

### Language Provision

*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 2020, an amount not to exceed an additional \$9,200,000 shall remain available until expended for obligations for administrative expenses for every 20,000 additional terminated participants*

*Provided further, That obligations in excess of the amounts provided for administrative expenses in this paragraph may be incurred for unforeseen and extraordinary pre-termination or termination expenses or extraordinary multiemployer program related expenses after approval by the Office of Management and Budget and notification of the Committees on Appropriations of the House of Representatives and the Senate*

*That an additional amount shall remain available until expended for obligations to the extent the Corporation's expenses exceed \$250,000 for the provision of credit or identity monitoring to affected individuals upon suffering a security incident or privacy breach, not to exceed an additional \$100 per affected individual*

### Explanation

This proviso replaces “shall be available until September 30, 2020” with “shall remain available until expended for obligations.” This better aligns with PBGC’s appropriations language that specifies “without regard for fiscal year limitation” and ensures the agency has sufficient time to manage a large, unanticipated influx of participants.

This proviso adds “or termination” to ensure that termination expenses were included in the language in case there are circumstances that would necessitate this additional funding.

The proviso replaces “shall be available for obligations through September 30, 2020” with “shall remain available until expended for obligations,” to ensure consistency within the appropriations language.

## PENSION BENEFIT GUARANTY CORPORATION

<b>AMOUNTS AVAILABLE FOR OBLIGATION</b>						
(Dollars in Thousands)						
	<b>FY 2018 Enacted</b>		<b>FY 2019 Enacted</b>		<b>FY 2020 Request</b>	
	<b>FTE<sup>1</sup></b>	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>	<b>FTE</b>	<b>Amount</b>
<b>A. Appropriation</b>						
Administrative Activities						
Consolidated Administrative Activities	966	\$415,823	951	\$437,018	968	\$452,858
Total Administrative Activities <sup>2</sup>	966	\$415,823	951	\$437,018	968	\$452,858
Program Activities						
Investment Management Fees Program	0	\$110,630	0	\$117,400	0	\$124,300
Single-Employer Program Benefit Payments	0	\$6,576,000	0	\$6,974,000	0	\$7,657,000
Multiemployer Program Financial Assistance	0	\$167,000	0	\$189,000	0	\$287,000
Total Program Activities	0	\$6,853,630	0	\$7,280,400	0	\$8,068,300
Total Program and Administrative Activities	966	\$7,269,453	951	\$7,717,418	968	\$8,521,158
Offsetting Collections From:						
Interest on Federal Securities <sup>3</sup>	0	-\$1,358,000	0	\$1,170,000	0	\$1,270,000
Premium Receipts	0	\$6,566,000	0	\$5,628,000	0	\$4,131,000
Benefit Payment Reimbursements	0	\$3,392,000	0	\$4,711,000	0	\$5,707,000
Investment Management Fees Program	0	\$110,630	0	\$117,400	0	\$124,300
Trust Fund for Administrative Expenses <sup>4</sup>	0	\$419,370	0	\$400,600	0	\$418,700
Discretionary BA anticipated collection, reimbursable <sup>5</sup>	0	\$1,000	0	\$1,000	0	\$1,000
<i>Subtotal, Offsetting Collections From</i>	<i>0</i>	<i>\$9,131,000</i>	<i>0</i>	<i>\$12,028,000</i>	<i>0</i>	<i>\$11,652,000</i>

<sup>1</sup> FY 2018 reflects FTE authorization and utilization.

<sup>2</sup> FY 2018 Enacted reflect sequestration reductions to mandatory accounts pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended. Also, FY 2019 reflects sequestration reduction as required by the OMB Report to the Congress on the Joint Committee Reductions for FY 2019 (February 12, 2018).

<sup>3</sup> FY 2018 indicates the change in market pricing for bonds based on the PIMS model.

<sup>4</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.

<sup>5</sup> Anticipated collection represents budgetary resources from a reimbursable interagency agreement with the U.S. Department of the Treasury.

## PENSION BENEFIT GUARANTY CORPORATION

<b>B. Gross Budget Authority</b>	<b>966</b>	<b>\$16,400,453</b>	<b>951</b>	<b>\$19,745,418</b>	<b>968</b>	<b>\$20,173,158</b>
Offsetting Collections To:						
Interest on Federal Securities	0	\$1,358,000	0	-\$1,170,000	0	-\$1,270,000
Premium Receipts	0	-\$6,566,000	0	-\$5,628,000	0	-\$4,131,000
Benefits Payment Reimbursements	0	-\$3,392,000	0	-\$4,711,000	0	-\$5,707,000
Investment Management Fees Program	0	-\$110,630	0	-\$117,400	0	-\$124,300
Administrative Expenses	0	-\$419,370	0	-\$400,600	0	-\$418,700
Discretionary BA anticipated collection, reimbursable	0	-\$1,000	0	-\$1,000	0	-\$1,000
<i>Subtotal, Offsetting Collections To</i>	<i>0</i>	<i>-\$9,131,000</i>	<i>0</i>	<i>\$12,028,000</i>	<i>0</i>	<i>-\$11,652,000</i>
<b>C. Obligating Authority Before Committee</b>	<b>966</b>	<b>\$415,823</b>	<b>951</b>	<b>\$437,018</b>	<b>968</b>	<b>\$452,858</b>
<b>D. Total Budgetary Resource</b>	<b>966</b>	<b>\$7,269,453</b>	<b>951</b>	<b>\$7,717,418</b>	<b>968</b>	<b>\$8,521,158</b>
Unobligated Balance Expiring	0	\$0	0	\$0	0	\$0
Direct BA and FTE	966	\$7,269,453	951	\$7,717,418	968	\$8,521,158
Reimbursable BA and FTE	0	\$0	0	\$0	0	\$0
Total Lapse <sup>6</sup>	-40	-\$6,120	0	\$0	0	\$0
<b>E. Total, Estimated Obligations</b>	<b>926</b>	<b>\$7,263,333</b>	<b>951</b>	<b>\$7,717,418</b>	<b>968</b>	<b>\$8,521,158</b>

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<sup>6</sup> Total lapse in FY 2018 applies only to administrative funds.



# PENSION BENEFIT GUARANTY CORPORATION

## SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2019 Enacted	FY 2020 Request	Net Change
<b>Obligational Authority</b>			
Program Activities	\$7,280,400	\$8,068,300	+\$787,900
Administrative Activities	\$437,018	\$452,858	+\$15,840
<b>Total</b>	<b>\$7,717,418</b>	<b>\$8,521,158</b>	<b>+\$803,740</b>
<b>Full Time Equivalents</b>			
Program Activities	0	0	0
Administrative Activities	951	968	+17
<b>Total</b>	<b>951</b>	<b>968</b>	<b>+17</b>

Explanation of Change	FY 2020 Change							
	FY 2019 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	951	\$116,290	0	\$0	0	\$0	0	\$0
Personnel benefits	0	\$37,771	0	\$0	0	\$0	0	\$0
One day more of pay	0	\$0	0	\$590	0	\$0	0	\$590
Benefits for former personnel	0	\$40	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$1,264	0	\$0	0	\$0	0	\$0
Transportation of things	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	\$4,632	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$193	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$117,400	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$231,565	0	\$0	0	\$0	0	\$0
Other goods and services from Federal sources	0	\$8,200	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$2,348	0	\$0	0	\$0	0	\$0
Equipment	0	\$4,587	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$6,974,000	0	\$0	0	\$0	0	\$0
Investment and Loans	0	\$189,000	0	\$0	0	\$0	0	\$0
<b>Built-Ins Subtotal</b>	<b>951</b>	<b>+\$7,717,418</b>	<b>0</b>	<b>+\$590</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>+\$590</b>
<b>B. Programs:</b>								
Single-Employer Program Benefit Payments	0	\$6,974,000	0	\$0	0	\$683,000	0	\$683,000

# PENSION BENEFIT GUARANTY CORPORATION

Explanation of Change	FY 2020 Change							
	FY 2019 Base		Administrative Activities		Program Activities		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Multiemployer Program Financial Assistance	0	\$189,000	0	\$0	0	\$98,000	0	\$98,000
Processing of Mandatory Workload	0	\$0	17	\$8,345	0	\$0	17	\$8,345
Sears Pension Plan Processing	0	\$0	0	\$7,380	0	\$0	0	\$7,380
Investment Management Fees Program	0	\$117,400	0	\$0	0	\$6,900	0	\$6,900
Office of Inspector General - Audits	0	\$2,035	0	\$115	0	\$0	0	\$115
<b>Programs Subtotal</b>			<b>17</b>	<b>+\$15,840</b>	<b>0</b>	<b>+\$787,900</b>	<b>17</b>	<b>+\$803,740</b>
<b>Total Increase</b>	<b>951</b>	<b>+\$7,717,418</b>	<b>17</b>	<b>+\$16,430</b>	<b>0</b>	<b>+\$787,900</b>	<b>17</b>	<b>+\$804,330</b>
<b>Decreases:</b>								
<b>A. Built-Ins:</b>								
To Provide For:								
<b>Built-Ins Subtotal</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>
<b>B. Programs:</b>								
Extra Day of Pay	0	\$0	0	-\$590	0	\$0	0	-\$590
<b>Programs Subtotal</b>			<b>0</b>	<b>-\$590</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$590</b>
<b>Total Decrease</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$590</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>-\$590</b>
<b>Total Change</b>	<b>951</b>	<b>+\$7,717,418</b>	<b>17</b>	<b>+\$15,840</b>	<b>0</b>	<b>+\$787,900</b>	<b>17</b>	<b>+\$803,740</b>

## PENSION BENEFIT GUARANTY CORPORATION

<b>SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY</b>								
(Dollars in Thousands)								
	FY 2018 Enacted		FY 2019 Enacted		FY 2020 Request		Diff. FY20 Request / FY19 Enacted	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>Consolidated Administrative Activities</b>	<b>926</b>	<b>415,823</b>	<b>951</b>	<b>437,018</b>	<b>968</b>	<b>452,858</b>	<b>17</b>	<b>15,840</b>
Administrative	926	415,823	951	437,018	968	452,858	17	15,840
<b>Office of Inspector General - Non-Add</b>	<b>19</b>	<b>6,606</b>	<b>25</b>	<b>6,802</b>	<b>25</b>	<b>6,917</b>	<b>0</b>	<b>115</b>
Administrative	19	6,606	25	6,802	25	6,917	0	115
<b>Investment Management Fees Program</b>	<b>0</b>	<b>110,630</b>	<b>0</b>	<b>117,400</b>	<b>0</b>	<b>124,300</b>	<b>0</b>	<b>6,900</b>
Program	0	110,630	0	117,400	0	124,300	0	6,900
<b>Single-Employer Program Benefit Payments</b>	<b>0</b>	<b>6,576,000</b>	<b>0</b>	<b>6,974,000</b>	<b>0</b>	<b>7,657,000</b>	<b>0</b>	<b>683,000</b>
Program	0	6,576,000	0	6,974,000	0	7,657,000	0	683,000
<b>Multiemployer Program Financial Assistance</b>	<b>0</b>	<b>167,000</b>	<b>0</b>	<b>189,000</b>	<b>0</b>	<b>287,000</b>	<b>0</b>	<b>98,000</b>
Program	0	167,000	0	189,000	0	287,000	0	98,000
<b>Total</b>	<b>926</b>	<b>7,269,453</b>	<b>951</b>	<b>7,717,418</b>	<b>968</b>	<b>8,521,158</b>	<b>17</b>	<b>803,740</b>
<b>Program</b>	<b>0</b>	<b>6,853,630</b>	<b>0</b>	<b>7,280,400</b>	<b>0</b>	<b>8,068,300</b>	<b>0</b>	<b>787,900</b>
<b>Administrative</b>	<b>926</b>	<b>415,823</b>	<b>951</b>	<b>437,018</b>	<b>968</b>	<b>452,858</b>	<b>17</b>	<b>15,840</b>

NOTE: 2018 reflects actual FTE.

## PENSION BENEFIT GUARANTY CORPORATION

<b>BUDGET AUTHORITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2018 Enacted</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Request</b>	<b>Diff. FY20 Request / FY19 Enacted</b>
	Full-Time Equivalent				
	Full-time Permanent	936	921	938	17
	Other	30	30	30	0
	Total	966	951	968	17
	Average ES Salary	\$179,470	\$181,006	\$181,006	\$0
	Average GM/GS Grade	13/7	13/8	13/8	0
	Average GM/GS Salary	\$117,571	\$120,224	\$120,224	\$0
11.1	Full-time permanent	109,917	111,954	112,355	401
11.3	Other than full-time permanent	1,664	1,450	1,450	0
11.5	Other personnel compensation	3,610	2,886	2,886	0
11.8	Special personal services payments	0	0	0	0
11.9	<b>Total personnel compensation</b>	<b>115,191</b>	<b>116,290</b>	<b>116,691</b>	<b>401</b>
12.1	Civilian personnel benefits	35,944	37,771	37,960	189
13.0	Benefits for former personnel	36	40	40	0
21.0	Travel and transportation of persons	1,281	1,264	1,264	0
22.0	Transportation of things	1	0	0	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	30,128	30,128	30,128	0
23.3	Communications, utilities, and miscellaneous charges	4,152	4,632	4,632	0
24.0	Printing and reproduction	201	193	193	0
25.1	Advisory and assistance services	110,630	117,400	124,300	6,900
25.2	Other services from non-Federal sources	218,723	231,565	246,713	15,148
25.3	Other goods and services from Federal sources 1/	4,700	8,200	8,315	115
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	2,449	2,348	2,348	0
31.0	Equipment	3,017	4,587	4,574	-13
33.0	Investments and Loans	167,000	189,000	287,000	98,000
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	6,576,000	6,974,000	7,657,000	683,000
	<b>Total</b>	<b>7,269,453</b>	<b>7,717,418</b>	<b>8,521,158</b>	<b>803,740</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	4,700	8,200	8,315	115

# 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	\$6,565,067	941
2011					
Base Appropriation...1/	\$466,301			\$6,604,066	941
2012					
Base Appropriation...2/	\$476,901	\$476,901	\$476,901	\$6,610,901	999
2013					
Base Appropriation...3/	\$479,013			\$6,388,906	1,017
2014					
Base Appropriation...4/	\$6,978,441			\$6,435,634	956
2015					
Base Appropriation...5/	\$7,155,394			\$6,376,425	977
2016					
Base Appropriation...6/	\$7,086,799	\$431,799	\$431,799	\$6,953,163	942
2017					
Base Appropriation...7/	\$519,506			\$6,946,947	964
2018					
Base Appropriation...8/	\$522,917	\$424,417		\$424,417	966
2019					
Base Appropriation...9/	\$445,363			\$445,363	951
2020					
Base Appropriation	\$452,858				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.

9/ This bill was passed by the Senate. It was passed out of the House Subcommittee but was not reported out of the House Committee or by the full House.

# PENSION BENEFIT GUARANTY CORPORATION

## Overview

The Pension Benefit Guaranty Corporation (PBGC or the Corporation) is a federal corporation established under the Employee Retirement Income Security Act (ERISA) of 1974, as amended. It guarantees payment of basic pension benefits earned by nearly 37,000,000 of America's workers and retirees participating in about 25,000 private-sector defined benefit pension plans. The Single-Employer Program protects about 26,200,000 workers and retirees in about 23,400 pension plans. The Multiemployer Program protects about 10,600,000 workers and retirees in about 1,400 pension plans. By law, the two programs are financially separate. The Corporation receives no funds from general tax revenues. Operations are financed by insurance premiums set by Congress and paid by sponsors of defined benefit plans, investment income, assets from pension plans trusted by PBGC, and recoveries from the companies formerly responsible for the plans.

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

### Budget Request Summary

PBGC is requesting \$452,858,000 in spending authority for administrative purposes in 2020. The request includes increases to manage the transition of the Sears Pension Plans and for additional costs needed to conduct the Office of Inspector General's financial statement audit. It also includes funding for processing of mandatory workload (\$8,345,000) and an offset to cover an additional day of pay (-\$590,000). The significant areas in which PBGC is seeking program changes are as follows:

**Sears Pension Plan Processing (\$7,380,000).** PBGC expects to see an increase in benefits administration since the Sears pension plans are terminated and trusted, meaning PBGC will begin to provide services to 92,683 new participants. The requested resources will fund services required to process the Sears pension plans, including benefit administration activities, pension plan and participant data collection and analysis, the evaluation of pension plan assets, and the actuarial work to determine benefits owed to pension plan participants and their beneficiaries. Additional information is available on page PBGC-32.

**Office of Inspector General (\$115,000).** PBGC's Office of Inspector General is requesting resources to fund the projected cost increase to perform the mandated financial statement audit.

### 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.



# PENSION BENEFIT GUARANTY CORPORATION

## 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

## PBGC Effectively Protects Retirement Security

PBGC tries 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 2018, PBGC:

- Helped to protect about 52,000 people by taking action in eight bankruptcy cases to encourage companies to keep their plans when they emerged from bankruptcy
- Paid \$153,000,000 in financial assistance to 81 insolvent multiemployer plans
- Negotiated over \$550,000,000 in financial protection, through its Early Warning Program, for nearly 100,000 people in plans put at risk by certain corporate events and transactions. PBGC works collaboratively with plan sponsors to negotiate agreements that protect pensions, mitigate disruption to corporate activities, and avoid placing an unnecessary burden on premium payers
- Conducted compliance reviews of plan sponsor calculations for plans that ended through standard terminations, resulting in almost 4,157 participants receiving corrected benefit amounts with a value of \$12,200,000

To pay timely and accurate benefits in FY 2018, the Corporation:

- Assumed responsibility for 58 trustee single-employer plans covering more than 28,000 people
- Started paying benefits to more than 14,700 retirees in single-employer plans
- Paid \$5,800,000,000 to more than 861,000 retirees from 4,919 failed single-employer plans

To maintain high standards of stewardship and accountability in FY 2018, the Corporation:

- Achieved an unmodified financial statement audit opinion and an unmodified opinion on internal controls
- Closed nine recommendations related to three significant internal control deficiencies

## **PENSION BENEFIT GUARANTY CORPORATION**

- Continued providing outstanding service to retirees, as demonstrated by a retiree customer satisfaction score of 89, which is among the best in the public and private sectors, according to the American Customer Satisfaction Index

### **Joint Select Committee on Solvency of Multiemployer Pension Plans**

The Joint Select Committee on Solvency of the Multiemployer Pension Plans (Select Committee) was established on February 9, 2018, under Section 30422 of the Bipartisan Budget Act of 2018. By law, the Select Committee was tasked with providing recommendations and legislative language that would significantly improve the solvency of multiemployer pension plans and PBGC no later than November 30, 2018. The Select Committee held a number of hearings and reviewed solutions to PBGC and plan insolvency but did not issue a report or recommendations for legislation before the Select Committee ended and the 115th Congress adjourned.

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

PBGC acts as a backstop to protect pension payments for workers and retirees whose plans have failed. By law, PBGC operates two financially separate insurance programs. 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 employer. The 2020 Budget includes proposed changes to premiums for both of PBGC's programs.

PBGC's Multiemployer Program is severely underfunded with liabilities of \$56 billion far exceeding its assets of \$2 billion. PBGC receives no taxpayer funds and multiemployer premiums, which are set by Congress, are much lower than what a private financial institution would charge for insuring the same risk. 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 that together would raise approximately \$18 billion over the budget window. 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. An exit premium, equal to ten times the variable-rate premium cap, would be assessed on employers that withdraw from a multiemployer plan to compensate the Multiemployer Program for the additional risk imposed on it when employers exit and cease making plan contributions. Employers who withdraw from a multiemployer plan owe withdrawal liability to the plan for 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 anticipated total multiemployer variable-rate premiums for all plans. The multiemployer premiums proposed in the Budget are expected to be sufficient to fund the Multiemployer Program for the next 20 years.

## **PENSION BENEFIT GUARANTY CORPORATION**

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.

In contrast, the financial condition of the Single-Employer Program has improved in recent years, reflecting numerous premium increases enacted by Congress, a strong economy, and the absence of large claims. In fiscal year 2018, the program emerged from a deficit position. In light of these developments, the Budget proposes to rebalance premiums in this program by pausing the indexation of single-employer premium rates for one year and increasing the cap on the VRP, currently \$541 in 2019, to \$900 in 2020 and indexed thereafter. This targets higher premiums on plans that present a greater exposure to PBGC and strengthens the incentive to improve plan funding. On net, these changes are expected to lower PBGC single-employer premium receipts by approximately \$30 million over the coming decade and better align premium burden on the most underfunded plans.

# PENSION BENEFIT GUARANTY CORPORATION

## FY 2020 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. Agency leaders review performance data and status reports on a quarterly basis. The continuous evaluation of performance data and customer feedback helps agency leadership 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, finances, facilities, legal review, quality improvement, and procurement services 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 throughout the performance cycle. These highly skilled professionals, who are committed to the work of PBGC's mission, include:

- Accountants
- Actuaries
- Attorneys
- Auditors
- Benefits Specialists
- Financial 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 the Government Performance and Results Modernization Act of 2010.

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

<https://www.pbgc.gov/sites/default/files/pbgc-strategic-plan-2018-2022.pdf>

For the FY 2019 PBGC Annual Performance Plan please visit:

<https://www.dol.gov/sites/default/files/budget/2019/CBJ-2019-V2-02.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 policymaking to address 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 policymakers 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>• <b>Chief of Negotiations and Restructuring</b></li> <li>• <b>Chief Policy Officer</b></li> <li>• <b>General Counsel</b></li> </ul>					
<b>Performance Measures &amp; Targets</b>					
Goal 1 Performance Measures & Targets	FY 2016 Result	FY 2017 Result	FY 2018 Result	FY 2019 Target	FY 2020 Target
Participants protected as a result of our actions in bankruptcy cases where plan sponsors emerge from bankruptcy with plans ongoing	55,000	26,700	52,000	These activities are not amenable to targets	These activities are not amenable to targets
Additional payments resulting from standard termination enforcement actions	\$4.5 M to 940 people	\$4.6 M to 435 people	\$12.2M to 4,157 people	These activities are not amenable to targets	These activities are not amenable to targets
<b>Performance Area (Dollars in thousands)</b>			<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Pension Insurance	Total Funding (Dollars in thousands)		79,471	83,539	82,754
	Total FTE		211	209	213

# PENSION BENEFIT GUARANTY CORPORATION

## **FY 2020 plan to achieve Goal 1 Performance Objectives:**

1. PBGC will support Congressional and Executive Branch policymakers in analyzing and implementing solutions to the solvency issues facing multiemployer plans and PBGC's Multiemployer Insurance Program
2. PBGC will work with stakeholders to promote understanding of major program risks and possible mitigation strategies
3. PBGC will continue to be a primary resource for pension policy analysis and pension research products, education and guidance
4. PBGC will continue to monitor its largest exposures for transactions that may pose substantial risks to participants and retirees
5. PBGC will continue to 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
6. Monitor all multiemployer plans that receive financial assistance and audit a statistical sample based on risk of the plans to ensure accurate benefit payments to plan participants, efficient management of the remaining assets, and compliance with laws and regulations
7. Using robust search procedures continue to expand efforts to increase the number of missing participants located and paid
8. Communicate benefits of a defined benefit pension lifetime income via PBGC.gov, social media, and PBGC leadership speaking engagements
9. Provide technical assistance and practical guidance to plan sponsors on the implementation of proposed options to reduce employer risks while preserving plans and benefits
10. Perform rigorous cost-benefit analysis
11. Prioritize simplification and transparency
12. Collect pension insurance premiums due
13. Represent PBGC's interest in all bankruptcy cases involving defined benefit pension plans
14. Reduce administrative and regulatory burdens on plan sponsors
15. Deliver an annual projections report on the future status of the Single-Employer and Multiemployer Programs
16. Deliver pension insurance data tables annually to educate stakeholders on the fundamental facts of the single-employer and multiemployer programs
17. Deliver informal guidance to plans on the details of requesting early financial assistance from PBGC, and process applications promptly
18. Initiate regular meetings and/or events to educate and inform the multiemployer community (participants, plan sponsors, and other stakeholders) on the effects of the insolvency
19. Monitor all multiemployer plans that receive financial assistance and audit a statistical sample based on risk of the plans to ensure accurate benefit payments to plan participants, efficient management of the remaining assets, and compliance with laws and regulations

## 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				
<ol style="list-style-type: none"> <li>1. Promote exceptional customer service to pensioners and provide a positive customer experience for plan participants and beneficiaries</li> <li>2. Ensure regular monthly benefit payments continue without interruption</li> <li>3. Provide accurate and timely benefit calculations</li> </ol>	<ul style="list-style-type: none"> <li>• Promote exemplary customer satisfactions ratings and implement sensible solutions to improve the customer experience</li> <li>• Continue uninterrupted benefit payments in newly trusted 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 2016 Result (Target)	FY 2017 Result (Target)	FY 2018 Result (Target)	FY 2019 Target	FY 2020 Target
Customer satisfaction rating for retirees and beneficiaries receiving benefits	90	91 (90)	89 (90)	90	90
Participant caller satisfaction	84 (83)	83 (83)	84 (85)	85	85
My PBA customer satisfaction	76 (77)	77 (77)	77 (77)	77	77
Benefit applications approved within 45 days	87% (87%)	87% (87%)	91% (87%)	87%	87%
Average time (years waiting) to issue benefit determinations (between trusteeship and benefit determination issuance)	6.3 (4.3)	6.2 (4.3)	6.1 (6.0)	(5.7)	(5.5)
Estimated benefits within 10% of final benefit determination	96% (95%)	93% (95%)	95%	95%	95%
<b>Performance Area (Dollars in thousands)</b>			<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Pension Plan Termination	Total Funding (Dollars in thousands)		170,416	188,353	200,833
	Total FTE		328	322	328

## **PENSION BENEFIT GUARANTY CORPORATION**

### **FY 2020 plan to achieve Goal 2 Performance Objectives:**

1. PBGC expects to see an increase in benefits administration activity due to the termination of the Sears pension plans. PBGC trustee the Sears plans on February 11, 2019 and is beginning to provide services to over 90,000 participants
2. Implement a new platform solution to enhance the customer experience through multi-channel, streamlined and modern communication options (web, chat, text, phone)
3. Reduce the number of unissued Benefit Determination Letters (BDLs) by prioritizing the oldest and the largest plans for completion
4. Modernize and consolidate field office operations
5. Resolve the majority of appeals within one year
6. Enhance the quality of OBA production and reduce the plan inventory
7. We expect to have the following annual workload results:
  - Trustee 80 plans with 40,000 participants, taking over payments from the prior plan administrator within 180 days of trusteeship
  - Process 35,000 benefit applications, 90% within 45 days
  - Fulfill 70,000 benefit calculation requests for non-retirees, including approximately 7,500 manual benefit calculations
  - Answer 500,000 calls from participants and process over 300,000 resulting transactions such as address changes and electronic deposit elections
  - Process 300,000 pieces of incoming mail and scanning 3,000,000 pages of documents
  - Take in 2,000 missing participants to locate, from 150 standard termination cases



## PENSION BENEFIT GUARANTY CORPORATION

<b>PBGC Strategic Plan</b>	
<b>Strategic Goal 3: Maintain High Standards of Stewardship and Accountability</b>	
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 and conduct</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 of provisions of key legislative and regulatory proposals</li> <li>• Implement an enterprise-wide plan to improve contract oversight</li> </ul>
<p><b>Goal Leaders:</b></p> <ul style="list-style-type: none"> <li>• <b>Chief Management Officer</b></li> <li>• <b>Chief Financial Officer</b></li> <li>• <b>Chief Information Officer</b></li> <li>• <b>General Counsel</b></li> <li>• <b>Chief of Benefits Administration</b></li> <li>• <b>Chief Policy Officer</b></li> </ul>	

## PENSION BENEFIT GUARANTY CORPORATION

<b>Performance Measures &amp; Targets</b>					
Goal 3 Performance Measures & Targets	FY 2016 Result (Target)	FY 2017 Result (Target)	FY 2018 Result (Target)	FY 2019 Target	FY 2020 Target
<b>Customer satisfaction ratings:</b>					
• Plan sponsors and premium filers	79 (73)	77 (73)	76 (74)	74	74
• My PAA	83 (79)	85 (79)	84 (80)	80	80
• Overall Customer Satisfaction	73 (80)	72 (80)	77 (80)	78	78
• PBGC.gov website	74 (74)	72 (75)	75 (75)	75	75
• Participant Caller	84 (83)	83 (83)	84 (85)	85	85
• My PBA	76 (77)	76 (77)	77 (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 deficiencies	Progress	Progress	Reduce	Reduce	Reduce
Compliance with the asset allocation listed in the current Investment Policy Statement	NA	NA	Yes	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	Yes	Yes	Yes	Yes
Score in the top 40% of reporting agencies on OMB's Annual FISMA Report	NA	NA	Yes	Yes	Yes
Achieve a 69% positive score for employee engagement on the Federal Employee Viewpoint Survey	Yes	Yes	TBD (Yes)	Yes	Yes

## PENSION BENEFIT GUARANTY CORPORATION

<b>Performance Measures &amp; Targets</b>					
Goal 3 Performance Measures & Targets	FY 2016 Result (Target)	FY 2017 Result (Target)	FY 2018 Result (Target)	FY 2019 Target	FY 2020 Target
Achieve a Diversity and Inclusion/New IQ Index score of 62% or higher on the annual Federal Employee Viewpoint Survey	Yes	Yes	TBD (Yes)	Yes	Yes
Develop a succession plan and a workforce management plan for every office and critical position	NA	NA	75% complete	TBD (100% complete)	TBD
<b>Performance Area (Dollars in thousands)</b>			<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Operational Support	Total Funding (Dollars in thousands)		162,901	165,126	169,271
	Total FTE		427	420	427

### **FY 2020 plan to achieve Goal 3 Performance Objectives:**

1. 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.)
2. Maximize stakeholder education and outreach by holding frequent and regular meetings with participant groups, plan sponsors, practitioner groups, industry associations, and other stakeholders
3. Provide data-driven communications to stakeholders based on the latest pension research, data and projections
4. Inform plan participants and practitioners of key newly published regulations through speaking engagements at stakeholder conferences and through interviews
5. Collect pension insurance premiums due
6. Conduct quality due diligence on the PBGC investment portfolios
7. 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
8. Integrate the Framework for Improving Critical Infrastructure Cybersecurity (M-17-25) into the IT management process
9. Ensure legal and regulatory compliance through implementation of appropriate policies, procedures, standards and guidance to achieve an unmodified audit opinion
10. Provide ethics training to at least 98% of new employees within 90 days of hiring
11. Provide privacy training for all new employees and contractors before badging or network access 99% of the time
12. Continue to implement recommendations and training that will improve contractor oversight

# PENSION BENEFIT GUARANTY CORPORATION

TABLE 1: FY2018 SUMMARY OF PBGC MEASURES AND ACTIVITIES

	Target	2018	2017
<b>Preserve Plans and Protect Pensions</b>			
Participants Protected in Plans Emerging From Bankruptcy		52,000	26,700
Standard Termination Audits: Additional Payments		\$12.2 to 4,157 people	\$4.6M to 435 people
<b>Pay Timely and Accurate Benefits</b>			
Single-Employer –Participant Benefit Payments		861,000	840,000
Future Single-Employer – Participant Benefit Payments		532,474	559,000
Multiemployer Plan Financial Assistance – Number of Participants		62,300	63,700
Future Multiemployer Plan Financial Assistance – Number of Participants		27,800	30,000
Estimated Benefits Within 10 Percent of Final Calculation	95%	93%	93%
Average Time to Provide Benefit Determinations (Years)	4.3	6.1	6.2
Improper Payment Rates Within OMB Threshold <sup>7</sup>	<1.5%	Yes	Yes
Applications Processed in 45 Days	87%	91%	87%
<b>Ensure Superior Stewardship and Accountability</b>			
Retiree Satisfaction – ACSI <sup>8</sup>	90	89	91
Caller Satisfaction – ACSI	85	84	83
Premium Filer Satisfaction – ACSI	74	76	77
Overall Customer Satisfaction <sup>9</sup>	80	77	72
Financial Position Surplus – Single-Employer		\$2.439B	(\$10.9B)
Financial Position (Deficit) – Multiemployer		(\$53.876B)	(\$65.1B)
Unmodified Financial Statement Audit Opinion	Yes	Yes	Yes

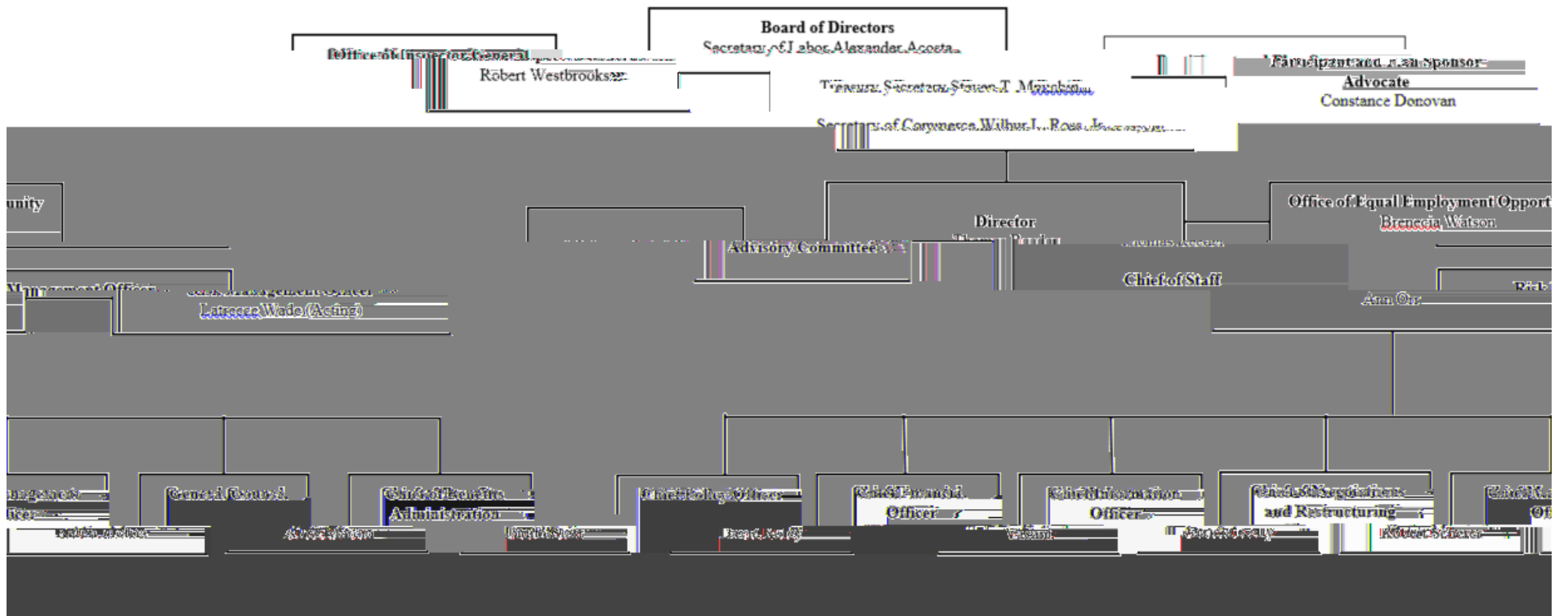
<sup>7</sup> The OMB threshold for significant improper payment reporting is as follows: amounts that exceed (1) both 1.5 percent and \$10 million in improper payments, or (2) \$100 million in improper payments.

<sup>8</sup> The American Customer Satisfaction Index (ACSI) uses a 0-100 scale; 80 or above is considered excellent.

<sup>9</sup> This measures customer satisfaction with information and services provided by the Corporation.

# PENSION BENEFIT GUARANTY CORPORATION

## ORGANIZATION CHART





## CONSOLIDATED ADMINISTRATIVE ACTIVITIES

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	FY 2018 Enacted	FY 2019 Enacted	FY 2020 Request	Diff. FY20 Request / FY19 Enacted
<b>Activity Appropriation</b>	<b>415,823</b>	<b>437,018</b>	<b>452,858</b>	<b>15,840</b>
FTE	926	951	968	17

NOTE: FY 2018 reflects actual FTE. Authorized FTE for FY 2018 was 966. FY 2019 CBJ had 968 FTE.

### **Introduction**

#### ***Consolidated Administrative Activity***

PBGC’s administrative activities support the following areas:

- Preserve plans and protect plan participants and their families
- Pay pension benefits on time and accurately
- Maintain high standards of stewardship and accountability

These operations are conducted by:

The **Office of the Director** (OD) plans, administers and directs PBGC’s programs in accordance with the requirements of Title IV of the Employee Retirement Income Security Act of 1974; implements the policies of the Board of Directors; and provides appropriate advice and assistance to the Board of Directors. The Equal Employment Opportunity Office and the Risk Management Officer reside in the Office of the Director.

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. OPEA includes two departments: Communications Outreach and Legislative Affairs Department and the Policy, Research and Analysis Department.

The **Office of the Chief Financial Officer** (OCFO) plans and oversees the Corporation's investment of financial assets, financial accounting and reporting, premium collections, and internal control functions. OCFO includes three departments: the Corporate Controls and Reviews Department; the Corporate Investment Department; and the Financial Operations Department.

The **Chief Information Officer** (CIO) is responsible for the Corporation’s IT program. The CIO provides IT and electronic communications services and support to PBGC; plans, 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 the CIO consists of three departments and one division that executes the Chief Information Security Officer functions: the Business Innovation Services Department, the Enterprise Governance Department, the Information Technology Infrastructure Operations Department and the Enterprise Cybersecurity Division.

## CONSOLIDATED ADMINISTRATIVE ACTIVITIES

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. OMA includes five departments: the Budget Department, the Human Resources Department, the Procurement Department, the Quality Management Department and the Workplace Solutions Department.

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. OGC includes four departments: the Bankruptcy, Litigation, and Terminations Department; the Bankruptcy, Transactions, and Terminations Department; the General Law and Operations Department; and the Program Law and Policy Department.

The **Office of Negotiations & Restructuring** (ONR) works with companies, both in and out of bankruptcy, to preserve their pension plans by conducting financial, legal, and actuarial analysis, monitoring transactions which could increase the risk of plan termination, and negotiating protections for plans and participants. 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. ONR includes one department and three divisions: the Corporate Finance & Restructuring Department, the Multiemployer Program Division, the Negotiations Restructuring Actuarial Division and the Standard Termination and Compliance Division.

The **Office of Benefits Administration** (OBA) plans and directs the operations of the Corporation's Single-Employer Benefits Administration Programs. OBA provides ongoing benefits administration for terminated pension plans, including benefit payments, customer communications, retirement application processing and changes in benefits. OBA also oversees case processing for newly trustee plans which involves auditing participant records, independently valuing plan assets, calculating individual participant benefits and issuing final benefit determinations. OBA has three departments: the Actuarial Services and Technology Department, the Participant Services Department and the Plan Asset and Data Management Department.

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



## CONSOLIDATED ADMINISTRATIVE ACTIVITIES

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.

### Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> <sup>10</sup> (Dollars in Thousands)	<u>FTE</u>
2015	\$406,425	977
2016	\$423,163	942
2017	\$510,757	964
2018	\$424,417	966
2019	\$445,363	951

### FY 2020 Goals:

- PBGC will support Congressional and executive branch policymakers in analyzing and implementing solutions to the solvency issues facing multiemployer plans and PBGC's Multiemployer Insurance Program
- PBGC will maximize stakeholder education and outreach by holding frequent and regular meetings with participant groups, plan sponsors, practitioner groups, industry associations, and other stakeholders to promote understanding of major program risks and possible mitigation strategies
- PBGC will continue to be a primary resource for pension policy analysis and pension research products, education and guidance
- PBGC will continue to monitor its largest exposures for transactions that may pose substantial risks to participants and retirees
- PBGC will continue to 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
- PBGC will monitor and audit multiemployer plans that receive financial assistance as well as certain terminated multiemployer plans not yet receiving financial assistance to ensure accurate benefit payments to plan participants, efficient management of the remaining assets, and compliance with laws and regulations
- PBGC will use robust search procedures and continue to expand efforts to increase the number of missing participants located and paid
- PBGC will provide technical assistance and practical guidance to plan sponsors on the implementation of proposed options to reduce employer risks while preserving plans and benefits
- PBGC will reduce administrative and regulatory burdens on plan sponsors

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<sup>10</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..

## CONSOLIDATED ADMINISTRATIVE ACTIVITIES

- PBGC will continue to modernize and consolidate field office operations by implementing base year and option year 1 of consolidated benefits administration contracts
- PBGC will implement a new platform solution to enhance the customer experience through multichannel, streamlined and modern communication options (web, chat, text, phone)
- PBGC will continue to reduce the number of unissued Benefit Determination Letters (BDLs) by prioritizing the oldest and the largest plans for completion
- PBGC will resolve a majority of appeals within one year
- PBGC will research and implement at least six targeted improvements to agency communications (including pbgc.gov) in response to customer feedback and key performance indicators (surveys, etc.)
- PBGC will implement recommendations and training that will improve contractor oversight.

### **FY 2019 Priorities:**

- Reduce case backlog
- Continue Benefit Calculation System improvements
- 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.
- Continue 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
- Continue modernization and consolidation of field office operations
- 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 Accomplishments:**

- Implemented 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

## CONSOLIDATED ADMINISTRATIVE ACTIVITIES

- Implemented effective changes to the Single-Employer Program to decrease burden on plan sponsors as demonstrated by timely implementation of regulatory and programmatic changes
- Enhanced the quality of OBA production and reduced the plan inventory as demonstrated by Quarterly Performance Reports
- Improved the internal control environment, including IT Security, with progress on clearing significant deficiencies and IG findings
- Improved 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<sup>11</sup>
- Enhanced PBGC's enterprise and fraud risk management by continuing to pursue the ERM framework outlined in OMB's Circular A-123
- Enhanced customer service as measured by customer satisfaction scores<sup>12</sup>

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<sup>11</sup> The Partnership for Public Service ranked PBGC in the top five best places to work among small federal agencies. PBGC earned a 78.3 employee engagement score on a 100-point scale, as compared to the government-wide score of 62.2.

<sup>12</sup> Continued providing outstanding service to retirees, as demonstrated by a retiree customer satisfaction score of 89, which is among the best in the public and private sectors, according to the American Customer Satisfaction Index.

## 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 defined benefit 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.

On February 11, 2019, Sears signed trusteeship agreements with PBGC to terminate the two Sears pension plans effective January 31, 2019 and appoint PBGC as trustee. These two plans included 92,683 participants with an unfunded benefit liability of \$1.4 billion. Also, the sale of Sears assets (425 stores and certain other business entities) to ESL Investments, Inc.'s Transform Holdco LLC, closed on February 11, 2019. This is one of the largest and most complex plan terminations in PBGC history.

## CONSOLIDATED ADMINISTRATIVE ACTIVITIES

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2018 Enacted</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Request</b>	<b>Diff. FY20 Request / FY19 Enacted</b>
11.1	Full-time permanent	109,917	111,954	112,355	401
11.3	Other than full-time permanent	1,664	1,450	1,450	0
11.5	Other personnel compensation	3,610	2,886	2,886	0
11.9	<b>Total personnel compensation</b>	<b>115,191</b>	<b>116,290</b>	<b>116,691</b>	<b>401</b>
12.1	Civilian personnel benefits	35,944	37,771	37,960	189
13.0	Benefits for former personnel	36	40	40	0
21.0	Travel and transportation of persons	1,281	1,264	1,264	0
22.0	Transportation of things	1	0	0	0
23.2	Rental payments to others	30,128	30,128	30,128	0
23.3	Communications, utilities, and miscellaneous charges	4,152	4,632	4,632	0
24.0	Printing and reproduction	201	193	193	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	218,723	231,565	246,713	15,148
25.3	Other goods and services from Federal sources 1/	4,700	8,200	8,315	115
26.0	Supplies and materials	2,449	2,348	2,348	0
31.0	Equipment	3,017	4,587	4,574	-13
33.0	Investments and Loans	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	<b>Total</b>	<b>415,823</b>	<b>437,018</b>	<b>452,858</b>	<b>15,840</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	4,700	8,200	8,315	115

# CONSOLIDATED ADMINISTRATIVE ACTIVITIES

## CHANGES IN FY 2020

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
One day more of pay	590
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	0
Insurance claims and indemnities	0
Investment and Loans	0

**Built-Ins Subtotal** **\$590**

**Net Program** **\$15,250**

**Direct FTE** **17**

	Estimate	FTE
<b>Base</b>	<b>\$437,608</b>	<b>951</b>
<b>Program Increase</b>	<b>\$15,840</b>	<b>17</b>
<b>Program Decrease</b>	<b>-\$590</b>	<b>0</b>

## OFFICE OF INSPECTOR GENERAL

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2018 Enacted</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Request</b>	<b>Diff. FY20 Request / FY19 Enacted</b>
Activity Appropriation	6,606	6,802	6,917	115
FTE	19	25	25	0

NOTE: FY 2018 reflects actual FTE. Authorized FTE for FY 2018 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 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 \$6,917,000. Of that amount, \$50,558 is requested for training, and \$17,434 is requested to support the Council of Inspectors General on Integrity and Efficiency.
- I certify that \$50,558 will satisfy the training requirements for FY 2020.

### **FY 2018**

#### **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.

# OFFICE OF INSPECTOR GENERAL

## Financial Audits and Evaluations

### **Audit of the Pension Benefit Guaranty Corporation's Fiscal Year 2018 and 2017**

**Financial Statements.** The Office of Inspector General issued the audit of the financial statements of the Single-Employer and Multiemployer Program Funds administered by the Pension Benefit Guaranty Corporation (PBGC) as of and for the years ended September 30, 2018 and 2017 finding:

- The financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. This is the 26th consecutive unmodified financial statement audit opinion.
- PBGC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018.
  - PBGC continues to develop and execute corrective actions to remediate previously identified control deficiencies. PBGC management implemented certain corrective actions during FY 2018 that included enhancing the valuation tool to calculate its single largest liability, developing targeted financial analysis processes to mitigate financial reporting risks, and implementing IT solutions to mitigate system weaknesses.
  - Although PBGC made some progress in these areas, the Corporation should continue to focus its efforts resolving the remaining outstanding significant control deficiencies: (1) Controls over the Present Value of Future Benefit (PVFB) Liability, (2) Present Value of Nonrecoverable Future Financial Assistance (PV NFFA), and (3) Access Controls and Configuration Management).
- Instances of noncompliance or other matters that are required to be reported in accordance with Government Auditing Standards.
  - Potential Antideficiency Violation: In FY 2016, we reported, PBGC maintains operating leases for all office site locations and its COOP site and did not record its full contractual obligation under all of the multiyear lease arrangements. In FY 2017, PBGC general counsel reported the potential violation to the Office of Management and Budget and is currently awaiting a decision.
  - In FY 2018, PBGC restructured two of six operating leases in response to the reported prior year potential violations. These two leases include contractual clauses requiring a period of six months' notice prior to exercising funding options, including obligating funds, as well as availability of funds clauses. However, PBGC may not have provided sufficient written notice to its landlords regarding the availability of funds for the remaining leases. Consequently, PBGC may have violated a provision within the Antideficiency Act.

### **Audit of Pension Benefit Guaranty Corporation's Financial Statement Closing**

**Package for Fiscal Years 2018 and 2017.** The financial statements and accompanying notes contained in the closing package were prepared for the purpose of complying with the requirements of the U.S. Department of the Treasury's Financial Manual (TFM) Volume I, Part 2, Chapter 4700 for the purpose of providing financial information to the U.S. Department of the Treasury and U.S. Government Accountability Office to use in preparing and auditing the Financial Report of the U.S. Government, and are not intended to be a complete presentation of PBGC's financial statements.



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We reported that the financial statements and accompanying notes presented fairly, in all material respects, the financial position of PBGC as of September 30, 2018 and 2017, and its net costs and changes in net position for the years then ended in conformity with accounting principles generally accepted in the United States of America and the presentation pursuant to the requirements of the TFM Volume I, Part 2 Chapter 4700.

**FY 2018 Vulnerability Assessment and Penetration Test Report.** During the financial statement audit, OIG's contracted independent public accountant, CliftonLarsonAllen LLP, assessed PBGC's information security infrastructure for technical weaknesses in PBGC's computer systems that may allow employees or outsiders to cause harm to, and/or impact, PBGC's business processes and information. Current year testing found weaknesses in the areas of configuration management, data protection and privacy, and identity and access management. This report includes three new recommendations and five repeat recommendations. The Office of Inspector General has determined that this report is for official use only. The report detailing the vulnerability assessment has been redacted in its entirety because it contains privileged and confidential information.

**FY 2018 Federal Information Security Modernization Act Independent Evaluation Report.** We contracted with CliftonLarsonAllen LLP, an independent public accounting firm, to perform an evaluation of PBGC's information security program for FY 2018 as required by FISMA. Our independent public accountants concluded that PBGC did not implement an effective information security program for many of the security controls for selected information systems. PBGC's implementation of a subset of selected controls was not fully effective to ensure the confidentiality, integrity, and availability of the Corporation's information and information systems, potentially exposing them to unauthorized access, use, disclosure, disruption, modification, or destruction. Consequently, CLA noted weaknesses in seven of the eight Inspector General FISMA Metric Domains and issued ten new FISMA-related recommendations and 16 repeated or modified recommendations to assist PBGC in strengthening its information security program. Of the ten new recommendations, five were issued in the Financial Statements audit report and five are issued in this report. PBGC agreed with the five new recommendations in this report and previously agreed with the five recommendations in the Financial Statements audit report.

**Evaluation of PBGC's Fiscal Year 2017 Compliance with Improper Payments Elimination and Recovery Act Requirements.** As required by the Improper Payments Information Act (IPIA) of 2002, as amended, we reviewed PBGC's compliance with improper payment requirements. For this FY, PBGC assessed Payments to Federal Employees and determined the payment streams were not susceptible to significant improper payments. We determined that PBGC is compliant with the improper payment requirements.

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## Performance Audits and Related Work

**DATA Act Implementation: Opportunities Exist to Improve Data Quality.** We found that for FY 2017, second quarter submission, PBGC generally complied with DATA Act requirements for completeness, timeliness, quality, and accuracy of the data, including implementation and use of the government-wide financial data standards established by OMB and Treasury. However, we identified some inconsistencies, omissions and errors, which caused the information available to the public and Congress on Beta.USAspending.gov to not fully reflect PBGC's operations. We recommended PBGC develop and implement procedures to ensure the completion of a quality control review of data files before each quarterly data submission and review information on Beta.USAspending.gov after publication for indications of errors and incompleteness. PBGC agreed with the recommendation and provided actions taken and corrective actions planned to strengthen quality control over data submission. PBGC planned to complete corrective action by the May 31, 2018 data submission.

## Reviews and Special Reports

**Review of the Acquisition and Performance of Spectrum 4.** In summary, we received hotline complaints detailing concerns related to Spectrum 4's acquisition and performance. Spectrum is a web-based application that allows the Benefits Payment Division to manage customer pension benefits and data. Spectrum 4 was designed to eliminate legacy systems and consolidate data from other systems to send payment information to PBGC's paying agent. We initiated a limited scope review to determine the legitimacy and severity of these issues. We substantiated some of the issues, and they warrant management's attention. Specifically, we found the deployment of Spectrum 4 resulted in increased errors/variances, which required PBGC to release ten versions in attempts to fix the issues causing the errors.

We also found that the deployment of Spectrum 4 resulted in slower day-to-day functioning of the system. This slowness has impacted users' ability to complete tasks and frustrated users. In response to the issues we substantiated, we recommend that management perform and document an Integrated Product Team led "lessons learned."

**FY 2017 Purchase Card Risk Assessment.** The Government Charge Card Abuse Prevention Act of 2012 requires Offices of Inspector General to, among other things, conduct periodic assessments of the government purchase card program to identify and analyze risks of illegal, improper, or erroneous purchases and payments. According to Office of Management and Budget memorandum M-13-21, this risk assessment should be performed annually. The purpose of this special report is to fulfill the requirements of the Act and OMB guidance. Generally, we found that PBGC has policies and procedures in place to address the requirements in the Act and has internal controls to assist in the monitoring of this program. Based on our review, we determined that the risk of illegal, improper, or erroneous purchases in PBGC's Purchase Card program is low.

**Risk Advisory on My PBA Web Application Control Weaknesses.** We issued this risk advisory to report our concerns regarding control weaknesses within the My PBA

## OFFICE OF INSPECTOR GENERAL

web application. My PBA is intended to reduce the call volume to the PBGC's Customer Contact Center. It has over 131,000 active accounts, and participants completed over 740,000 transactions in FY 2017. We found the My PBA application: (1) operates without certain PBGC-standard access controls and identification and authentication controls, and (2) does not utilize multi-factor authentication to help protect the security of sensitive data and online transactions.

**White Paper on Detecting Fraud and Improper Payments Involving Deceased Participants.** PBGC uses the Death Master File to identify deceased participants. Since February 2017, our Office of Investigations has identified through other data sources, 56 instances of improper payments or fraud involving deceased participants. PBGC can reduce its improper payment and fraud risk by examining the practices of other agencies, supplementing its use of the Death Master File with other data sources, and implementing additional controls.

**Review of PBGC's Customer Service Score Goal-Sharing Award Program.** We found that the goal-sharing award program, however well-intended, has not resulted in a significant and sustained improvement in overall customer satisfaction. The program is not effectively designed to provide the desired impact on the agency's mission—improved customer satisfaction. Although PBGC has met the goal at least once a year, PBGC has not reviewed the results of the incentive program to determine if the program is resulting in desired sustained improvements. Based on our analysis, we recommend PBGC discontinue the goal-sharing program. PBGC agreed with the recommendation and plans completion by May 30, 2018.

**Summary and Analysis of IT Audit Recommendations and the Corporation's Federal Information Security Modernization Act (FISMA) Performance.** How does PBGC measure up in the area of IT security? This information-only report provides a summary and analysis of the Pension Benefit Guaranty Corporation's progress in remediating IT audit recommendations, as well as its FISMA performance in general and its FISMA performance in comparison to other federal agencies. Bottom line: PBGC has made progress in IT security in the past five years. In FISMA performance, PBGC ranks as average among small agencies in one comparison and above average in another.

### Investigations

**Investigative Activity.** OIG focused investigative attention on pension theft and deceased participant fraud issues.

**Ohio Man Pleads Guilty to Stealing PBGC Pension Benefits.** In July 2017, a Warren, Ohio man was indicted by a federal grand jury for theft of government funds. This indictment was reported in a prior Semiannual Report to Congress. Allegedly, he fraudulently received approximately \$82,000 in benefits over 14 years from the PBGC. On January 30, 2018, the defendant pled guilty to one count of theft of government funds. We worked this case jointly with the Social Security Administration Office of the Inspector General and the United States Postal Inspection Service.

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**Washington State Man Pleads Guilty to Computer Intrusion and Wire Fraud.** In October 2017, a Washington State man pled guilty to two counts in U.S. District Court for the Eastern District of New York. Between June 2016 and October 2016, the defendant accessed a PBGC website and fraudulently attempted to obtain premium reimbursements totaling \$1,633,000 for expenses related to three pension plans. The three plans for which the defendant requested reimbursements did not exist. PBGC detected the fraud before any payments were issued.

**Deceased Participants Program.** We continued our efforts under this fraud detection/computer matching initiative. To date, this project has identified 56 deceased participants and approximately \$1,100,000 in improper or fraudulent payments. The present value of discontinued future benefit payments is an additional \$479,000, and more than \$135,000 has been collected from the bank accounts of deceased participants. We initiated a computer matching program to identify PBGC benefits being paid to deceased participants. We have referred 56 cases to the Office of Benefits Administration for termination of benefit payments and recoupment. One case out of the USAO, Northern District of Ohio resulted in an indictment, guilty plea, and sentencing against the son of the participant. Another case in the same district resulted in an information and guilty plea by the son of the participant.

**My PBA Investigation.** In March 2018, management reported to us fraudulent account activity occurring through the My PBA web application. The initial report indicated that four accounts had been compromised. It was later learned that additional accounts had also been compromised, and unsuccessful attempts had been made to compromise an even larger number of accounts. All this activity related to a single plan. The OIG and management have been coordinating since discovery of the scheme to identify the extent of the fraud and the individual(s) responsible. We also conferred with management on fraud prevention measures to be taken which resulted, for example, in management temporarily disabling the online account creation and edit function. As the result of significant investigative efforts, we identified a person of interest and we reported our preliminary findings to the Justice Department. In June 2018, OIG special agents along with local police executed a federal search warrant at a South Florida residence of this person of interest based upon probable cause that evidence relating to this crime was present at the residence. The search warrant and affidavit remain under seal. The person of interest has retained counsel who has been in communication with the prosecutors. The OIG also coordinated with the Office of General Counsel/Privacy Office regarding appropriate breach notification letters to victims.

### **On-Going OIG Work Includes:**

- Evaluation of Data Protection. The OIG is conducting this evaluation to determine if controls relating to data protection are suitably designed and operating effectively at contractor managed facilities.
- Evaluation of PBGC's Risk Mitigation and Early Warning Program. The OIG is conducting an evaluation to determine the program's effectiveness in achieving its desired results, and assessing the volume, nature, and causes of plan sponsor complaints concerning the program.

## OFFICE OF INSPECTOR GENERAL

- 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.
- 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.
- Conduct periodic assessment of PBGC's compliance with the Government Charge Card Abuse Prevention Act of 2012.
- Conducting an engagement to determine if PBGC properly awarded contracts to small business firms in the Women Owned Small Business set-aside program.
- Evaluation of Property Management Program. The OIG is conducting an evaluation to determine if PBGC has established adequate internal control over its property and if the Program is in accordance with federal laws, regulations and agency policy.

### **FY 2020**

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

## OFFICE OF INSPECTOR GENERAL

<b>BUDGET ACTIVITY COMPONENT BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2018 Enacted</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Request</b>	<b>Diff. FY20 Request / FY19 Enacted</b>
11.1	Full-time permanent	2,995	3,003	3,012	9
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>3,031</b>	<b>3,039</b>	<b>3,048</b>	<b>9</b>
12.1	Civilian personnel benefits	1,048	1,051	1,055	4
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	2,272	433	433	0
25.3	Other goods and services from Federal sources 1/	150	2,185	2,300	115
26.0	Supplies and materials	12	12	12	0
31.0	Equipment	44	33	20	-13
	<b>Total</b>	<b>6,606</b>	<b>6,802</b>	<b>6,917</b>	<b>115</b>
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	150	2,185	2,300	115

# OFFICE OF INSPECTOR GENERAL

## CHANGES IN FY 2020

(Dollars in Thousands)

**Activity Changes**

**Built-In**

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
One day more of pay	13
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	0

**Built-Ins Subtotal** **\$13**

**Net Program** **\$102**

**Direct FTE** **0**

	Estimate	FTE
<b>Base</b>	<b>\$6,815</b>	<b>25</b>
<b>Program Increase</b>	<b>\$115</b>	<b>0</b>
<b>Program Decrease</b>	<b>-\$13</b>	<b>0</b>





## INVESTMENT MANAGEMENT FEES PROGRAM

<b>BUDGET AUTHORITY BEFORE THE COMMITTEE</b>				
(Dollars in Thousands)				
	<b>FY 2018 Enacted</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Request</b>	<b>Diff. FY20 Request / FY19 Enacted</b>
<b>Activity Appropriation</b>	<b>110,630</b>	<b>117,400</b>	<b>124,300</b>	<b>6,900</b>
FTE	0	0	0	0

### Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2015	\$96,384	0
2016	\$103,906	0
2017	\$113,484	0
2018	\$110,630	0
2019	\$117,400	0

## INVESTMENT MANAGEMENT FEES PROGRAM

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2018 Enacted</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Request</b>	<b>Diff. FY20 Request / FY19 Enacted</b>
25.1	Advisory and assistance services	110,630	117,400	124,300	6,900
	<b>Total</b>	<b>110,630</b>	<b>117,400</b>	<b>124,300</b>	<b>6,900</b>

# INVESTMENT MANAGEMENT FEES PROGRAM

## CHANGES IN FY 2020

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Advisory and assistance services \$0

Other services from non-Federal sources 0

**Built-Ins Subtotal \$0**

**Net Program \$6,900**

**Direct FTE 0**

	Estimate	FTE
<b>Base</b>	<b>\$117,400</b>	<b>0</b>
<b>Program Increase</b>	<b>\$6,900</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 2018 Enacted</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Request</b>	<b>Diff. FY20 Request / FY19 Enacted</b>
<b>Activity Appropriation</b>	<b>6,576,000</b>	<b>6,974,000</b>	<b>7,657,000</b>	<b>683,000</b>
FTE	0	0	0	0

### Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2015	\$5,818,000	0
2016	\$6,280,000	0
2017	\$6,287,590	0
2018	\$6,576,000	0
2019	\$6,974,000	0

## SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2018 Enacted</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Request</b>	<b>Diff. FY20 Request / FY19 Enacted</b>
42.0	Insurance claims and indemnities	6,576,000	6,974,000	7,657,000	683,000
	<b>Total</b>	<b>6,576,000</b>	<b>6,974,000</b>	<b>7,657,000</b>	<b>683,000</b>

# SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

## CHANGES IN FY 2020

(Dollars in Thousands)

**Activity Changes**

**Built-In**

To Provide For:

Insurance claims and indemnities	\$0
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<b>Built-Ins Subtotal</b>	<b>\$0</b>
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<b>Net Program</b>	<b>\$683,000</b>
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Direct FTE	0
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	Estimate	FTE
<b>Base</b>	<b>\$6,974,000</b>	<b>0</b>
<b>Program Increase</b>	<b>\$683,000</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 2018 Enacted</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Request</b>	<b>Diff. FY20 Request / FY19 Enacted</b>
<b>Activity Appropriation</b>	<b>167,000</b>	<b>189,000</b>	<b>287,000</b>	<b>98,000</b>
FTE	0	0	0	0

### Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2015	\$152,000	0
2016	\$250,000	0
2017	\$148,600	0
2018	\$167,000	0
2019	\$189,000	0

**MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE**

<b>BUDGET ACTIVITY BY OBJECT CLASS</b>					
(Dollars in Thousands)					
		<b>FY 2018 Enacted</b>	<b>FY 2019 Enacted</b>	<b>FY 2020 Request</b>	<b>Diff. FY20 Request / FY19 Enacted</b>
33.0	Investments and Loans	167,000	189,000	287,000	98,000
	<b>Total</b>	<b>167,000</b>	<b>189,000</b>	<b>287,000</b>	<b>98,000</b>

# MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

## CHANGES IN FY 2020

(Dollars in Thousands)

### Activity Changes

#### Built-In

To Provide For:

Investment and Loans \$0

**Built-Ins Subtotal \$0**

**Net Program \$98,000**

**Direct FTE 0**

	Estimate	FTE
<b>Base</b>	<b>\$189,000</b>	<b>0</b>
<b>Program Increase</b>	<b>\$98,000</b>	<b>0</b>
<b>Program Decrease</b>	<b>\$0</b>	<b>0</b>