

Highlights of [GAO-11-182T](#), a testimony before the Committee on Health, Education, Labor, and Pensions, U.S. Senate

## Why GAO Prepared This Testimony

The Pension Benefit Guaranty Corporation (PBGC) is a self-financing government corporation that insures the pensions of 44 million workers in more than 27,000 private sector defined benefit pension plans. Yet, PBGC faces financial instability that could pose a future threat to this source of protection for Americans' retirement income. As fewer sponsors pay premiums for fewer participants in defined benefit plans, and as the underfunding of large defined benefit plans increases, the risks to PBGC's financial future also increase. As of September 2010, PBGC's net accumulated financial deficit was \$23 billion. GAO has designated PBGC and the pension insurance programs it administers as "high risk" areas in need of urgent attention and transformation to address economy, efficiency, or effectiveness changes.

In this testimony, GAO discusses its recent work regarding PBGC. Specifically, this statement focuses on needed improvements to PBGC's governance structure and strategic management based on GAO's prior work in these areas. GAO is making no new recommendations in this statement, but continues to believe that Congress should consider expanding PBGC's board of directors and that PBGC should implement recommendations from prior reports that have not yet been implemented, such as those concerning strategic workforce management and benefit determination process performance measures for large, complex plans.

View [GAO-11-182T](#) or key components. For more information, contact Barbara D. Bovbjerg, (202) 512-7215 or [bovbjergb@gao.gov](mailto:bovbjergb@gao.gov).

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# PENSION BENEFIT GUARANTY CORPORATION

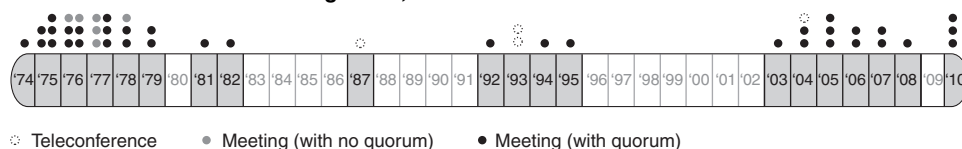
## Improvements Needed to Strengthen Governance Structure and Strategic Management

### What GAO Found

PBGC requires a strong governance structure and strategic management to ensure that it can meet its future financial challenges. Companies who pay annual premiums to PBGC and the millions of employees whose retirement benefits are under PBGC's protection are owed greater stewardship of the corporation and its funds.

By law, PBGC is governed by a three-member board of directors composed of the Secretaries of the Treasury, Commerce, and Labor. Because of their numerous responsibilities in their roles as cabinet-level secretaries, the board members have historically been unable to dedicate consistent attention to PBGC matters. In fact, since 1980, the board has met only 23 times. During a critical 2-year period between February 2008 and February 2010, amid turbulent economic times and congressional investigations of certain procurement practices, the board did not meet at all. While the current PBGC board is meeting more frequently than in prior years, its members still have little time to devote to PBGC governance and the board remains vulnerable to disruptive transitions during future changes of administration.

Number of PBGC Board Meetings Held, 1974-October 2010



Source: GAO analysis of PBGC documents and board meeting minutes.

In addition, although PBGC management has taken steps in recent years to strengthen its operations, recommendations from GAO's prior work concerning how the corporation could improve its strategic workforce management and the benefit determination process have yet to be fully implemented. PBGC's contract workers comprise about two-thirds of its workforce, yet GAO found that workforce management lacked a strategic approach for determining the mix of contract and federal workers, and PBGC did not include procurement decision making in corporate-level strategic planning. Also, GAO found that management of PBGC's benefit determination process did not provide for separate reporting of performance measures for large, complex plans, yet these plans are responsible for most long delays in processing and most cases with overpayments. Measures that reflect averages across all plans do not provide sufficient incentive to improve the processing of these plans. The need for a more strategic approach in managing both the contract workforce and the benefit determination process is essential to ensure that PBGC is operating efficiently and effectively.

Improvements to PBGC's governance and strategic management cannot correct structural weaknesses in its financial design, but it can better position PBGC for the challenges that lie ahead.