

FY 2016

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 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, [2015] 2016, for the Corporation: *Provided*, That none of the funds available to the Corporation for fiscal year [2015] 2016 shall be available for obligations for administrative expenses in excess of [\$415,394,000] \$431,799,000: *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 [2015] 2016, an amount not to exceed an additional \$9,200,000 shall be available through September 30, [2016] 2017, for obligation for administrative expenses for every 20,000 additional terminated participants: *Provided further*, That obligations in excess of the amounts provided in this paragraph may be incurred for unforeseen and extraordinary pretermination expenses or extraordinary multiemployer program related expenses after approval by the Office of Management and Budget and notification of the Committees on Appropriations of the House of Representatives and the Senate. (*P.L. 113-235 Consolidated and Continuing Appropriations Act, 2015.*)

PENSION BENEFIT GUARANTY CORPORATION

AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2014		FY 2015		FY 2016	
	FTE ¹	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	\$0	0	\$0	0	\$0
Administrative Activities	0	\$0	0	\$0	0	\$0
Pension Insurance Operations	204	\$76,100	210	\$79,526	0	\$0
Pension Plan Termination	336	\$266,070	340	\$170,261	0	\$0
Operational Support	416	\$154,464	427	\$156,638	0	\$0
Consolidated Administrative Activities ²	0	\$0	0	\$0	980	\$431,799
Total Administrative Activities ³	956	\$496,634	977	\$406,425	980	\$431,799
Program Activities	0	\$0	0	\$0	0	\$0
Investment Management Fees Program	0	\$0	0	\$96,384	0	\$103,906
Single-Employer Program Benefit Payments	0	\$5,827,000	0	\$5,818,000	0	\$6,386,000
Multiemployer Program Financial Assistance	0	\$112,000	0	\$152,000	0	\$269,000
Total Program Activities	0	\$5,939,000	0	\$6,066,384	0	\$6,758,906
Total Program and Administrative Activities	956	\$6,435,634	977	\$6,472,809	980	\$7,190,705
Offsetting Collections From:						
Interest on Federal Securities	0	\$620,000	0	\$696,000	0	\$785,000
Premium Receipts	0	\$1,986,000	0	\$3,496,000	0	\$4,647,000
Benefit Payment Reimbursements	0	\$3,233,000	0	\$3,512,000	0	\$4,163,000
Investment Management Fees Program	0	\$0	0	\$96,384	0	\$103,906
Trust Fund for Administrative Expenses ⁴	0	\$471,000	0	\$368,616	0	\$391,094
<i>Subtotal, Offsetting Collections From</i>	<i>0</i>	<i>\$6,310,000</i>	<i>0</i>	<i>\$8,169,000</i>	<i>0</i>	<i>\$10,090,000</i>
B. Gross Budget Authority	956	\$12,745,634	977	\$14,641,809	980	\$17,280,705
Offsetting Collections To:	0	\$0	0	\$0	0	\$0
Interest on Federal Securities	0	-\$620,000	0	-\$696,000	0	-\$785,000
Premium Receipts	0	-\$1,986,000	0	-\$3,496,000	0	-\$4,647,000
Benefits Payment Reimbursements	0	-\$3,233,000	0	-\$3,512,000	0	-\$4,163,000
Investment Management Fees Program	0	\$0	0	-\$96,384	0	-\$103,906
Administrative Expenses	0	-\$471,000	0	-\$368,616	0	-\$391,094
<i>Subtotal, Offsetting Collections To</i>	<i>0</i>	<i>-\$6,310,000</i>	<i>0</i>	<i>-\$8,169,000</i>	<i>0</i>	<i>-\$10,090,000</i>
C. Obligating Authority Before Committee	956	\$496,634	977	\$406,425	980	\$431,799
D. Total Budgetary Resource	956	\$6,435,634	977	\$6,472,809	980	\$7,190,705
Unobligated Balance Expiring	0	\$0	0	\$0	0	\$0
Direct BA and FTE	956	\$6,435,634	977	\$6,472,809	980	\$7,190,705
Reimbursable BA and FTE	0	\$0	0	\$0	0	\$0

PENSION BENEFIT GUARANTY CORPORATION

AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2014		FY 2015		FY 2016	
	FTE¹	Amount	FTE	Amount	FTE	Amount
Total Lapse	-2	-\$7,722	0	\$0	0	\$0
E. Total, Estimated Obligations	954	\$6,427,912	977	\$6,472,809	980	\$7,190,705

¹ FY 2014 reflects authorized FTE.

² PBGC and OMB anticipate apportioning PBGC's spending authority within a consolidated administrative activity in FY 2016.

³ FY 2014 and FY 2015 Enacted reflect sequestration reductions to mandatory accounts pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended.

⁴ During FY 2010, the assets of the multiemployer trust funds were depleted. Thus, the single-employer trust funds are the only remaining source of trust fund reimbursements to the revolving funds to cover administrative expenses. The single-employer and multiemployer insurance programs are, by law, operated and financed separately. The assets from one program cannot be used to support the other. As a result of the depletion of the multiemployer trust funds, approximately 95% of PBGC's total administrative expenses including the Investment Management Fees Program are reimbursed. This result also reflects the impact of revisions to PBGC's administrative expenses allocation methodology adopted in FY 2013. In FY 2015, PBGC will further improve the "100%" direct expense identification process to ensure we are capturing all such expenses that are solely benefiting the Multiemployer insurance program. The multiemployer portion that is not reimbursed represents an outlay in the Federal Budget.

PENSION BENEFIT GUARANTY CORPORATION

SUMMARY OF CHANGES

(Dollars in Thousands)

	2015	2016	Net Change
Obligational Authority			
Program Activities	\$6,066,384	\$6,758,906	+\$692,522
Administrative Activities	\$406,425	\$431,799	+\$25,374
Total	\$6,472,809	\$7,190,705	+\$717,896

Full Time Equivalents			
Program Activities	0	0	0
Administrative Activities	977	980	3
Total	977	980	3

FY 2016 Change

Explanation of Change	2015 ⁵ Base		Administrative Activities		Program Activities		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Costs of pay adjustments	977	\$116,195	0	\$1,515	0	\$0	0	\$1,515
Personnel benefits	0	\$31,547	0	\$384	0	\$0	0	\$384
One day more of pay	0	\$0	0	\$557	0	\$0	0	\$557
Benefits for former personnel	0	\$0	0	\$0	0	\$0	0	\$0
Travel and transportation of persons	0	\$1,758	0	\$0	0	\$0	0	\$0
Transportation of things	0	\$1	0	\$0	0	\$0	0	\$0
Rental payments to GSA	0	\$0	0	\$0	0	\$0	0	\$0
Rental payments to others	0	\$28,489	0	\$335	0	\$0	0	\$335
Communications, utilities, and miscellaneous charges	0	\$5,979	0	\$0	0	\$0	0	\$0
Printing and reproduction	0	\$286	0	\$0	0	\$0	0	\$0
Advisory and assistance services	0	\$96,384	0	\$0	0	\$0	0	\$0
Other services from non-Federal sources	0	\$209,271	0	\$0	0	\$0	0	\$0
Working Capital Fund	0	\$0	0	\$0	0	\$0	0	\$0

PENSION BENEFIT GUARANTY CORPORATION

SUMMARY OF CHANGES

(Dollars in Thousands)

Other goods and services from Federal sources	0	\$4,100	0	\$0	0	\$0	0	\$0
Supplies and materials	0	\$2,818	0	\$0	0	\$0	0	\$0
Equipment	0	\$5,981	0	\$0	0	\$0	0	\$0
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Insurance claims and indemnities	0	\$5,818,000	0	\$0	0	\$0	0	\$0
Investment and Loans	0	\$152,000	0	\$0	0	\$0	0	\$0
Built-Ins Subtotal	977	+\$6,472,809	0	+\$2,791	0	\$0	0	+\$2,791
B. Programs:								
Single-Employer Program Benefit Payments	0	\$5,818,000	0	\$0	0	\$568,000	0	\$568,000
Multiemployer Program Financial Assistance	0	\$152,000	0	\$0	0	\$117,000	0	\$117,000
Correct IT Related Material Weaknesses Restoration of 2015 sequestration reduction	0	\$0	0	\$12,865	0	\$0	0	\$12,865
Investment Management Fees Program	0	\$96,384	0	\$0	0	\$7,522	0	\$7,522
Smaller Managers Program	0	\$0	3	\$500	0	\$0	0	\$500
Funding for Financial Statement Audit	0	\$1,574	0	\$249	0	\$0	0	\$249
Programs Subtotal			3	+\$22,583	0	+\$692,522	3	+\$715,105
Total Increase	977	+\$6,472,809	3	+\$25,374	0	+\$692,522	3	+\$717,896
Decreases:								
A. Built-Ins:								
To Provide For:								
Built-Ins Subtotal	0	\$0	0	\$0	0	\$0	0	\$0
B. Programs:								
To Provide For:	0	\$0	0	\$0	0	\$0	0	\$0
Programs Subtotal			0	\$0	0	\$0	0	\$0
Total Decrease	0	\$0	0	\$0	0	\$0	0	\$0
Total Change	977	+\$6,472,809	3	+\$25,374	0	+\$692,522	0	+\$717,896

⁵ FY 2015 Enacted reflects sequestration reductions to mandatory accounts pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended.

PENSION BENEFIT GUARANTY CORPORATION

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY

(Dollars in Thousands)

	2014 ⁶		FY 2015 ⁷		2016		Diff. 2016 / 2015	
	FTE*	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Pension Insurance	204	76,100	209	79,526	0	0	-209	-79,526
Administrative	204	76,100	209	79,526	0	0	-209	-79,526
Pension Plan Termination and Benefits Administration	334	266,070	340	170,261	0	0	-340	-170,261
Administrative	334	266,070	340	170,261	0	0	-340	-170,261
Operational Support	416	154,464	428	156,638	0	0	-428	-156,638
Administrative	416	154,464	428	156,638	0	0	-428	-156,638
Office of Inspector General - Non-Add	22	6,127	26	6,157	0	0	-26	-6,157
Administrative	22	6,127	26	6,157	0	0	-26	-6,157
Consolidated Administrative Activities⁸	0	0	0	0	980	431,799	980	431,799
Administrative	0	0	0	0	980	431,799	980	431,799
Office of Inspector General - Non-Add	0	0	0	0	26	6,377	26	6,377
Administrative	0	0	0	0	26	6,377	26	6,377
Investment Management Fees Program⁹	0	0	0	96,384	0	103,906	0	7,522
Program	0	0	0	96,384	0	103,906	0	7,522
Single-Employer Program Benefit Payments	0	5,827,000	0	5,818,000	0	6,386,000	0	568,000
Program	0	5,827,000	0	5,818,000	0	6,386,000	0	568,000

PENSION BENEFIT GUARANTY CORPORATION

SUMMARY BUDGET AUTHORITY AND FTE BY ACTIVITY

(Dollars in Thousands)

	2014 ⁶		FY 2015 ⁷		2016		Diff. 2016 / 2015	
	FTE*	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Multiemployer Program Financial Assistance	0	112,000	0	152,000	0	269,000	0	117,000
Program	0	112,000	0	152,000	0	269,000	0	117,000
Total	954	6,435,634	977	6,472,809	980	7,190,705	0	717,896
Program¹⁰	0	5,939,000	0	6,066,384	0	6,758,906	0	692,522
Administrative	954	496,634	977	406,425	980	431,799	3	25,374

NOTES: FY 2014 reflects authorized FTE.

⁶ FY 2014 Enacted reflects sequestration reductions to mandatory accounts pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended.

⁷ FY 2015 Enacted reflect sequestration reductions to mandatory accounts pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended.

⁸ PBGC and OMB anticipate apportioning PBGC's spending authority within a consolidated administrative activity.

⁹ Investment Management Fees in FY 2014 were included in the Pension Insurance and Pension Plan Termination and Benefits Administration Activities.

¹⁰ Program Activities (Benefit Payments, Financial Assistance and Investment Management Fees) are shown in the tables only to represent total mandatory budget requirements.

PENSION BENEFIT GUARANTY CORPORATION

BUDGET AUTHORITY BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
	Full-Time Equivalent				
	Full-time Permanent	926	947	950	3
	Other	30	30	30	0
	Total	956	977	980	3
	Average ES Salary	\$167,820	\$169,498	\$171,193	\$1,695
	Average GM/GS Grade	12	12	12	0
	Average GM/GS Salary	\$96,351	\$97,315	\$98,288	\$973
11.1	Full-time permanent	107,646	110,626	112,919	2,293
11.3	Other than full-time permanent	1,564	1,564	1,564	0
11.5	Other personnel compensation	4,005	4,005	4,005	0
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	113,215	116,195	118,488	2,293
12.1	Civilian personnel benefits	30,608	31,547	32,210	663
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	1,859	1,758	1,758	0
22.0	Transportation of things	1	1	1	0
23.0	Rent, Communications, and Utilities	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	28,637	28,489	28,824	335
23.3	Communications, utilities, and miscellaneous charges	5,859	5,979	5,979	0
24.0	Printing and reproduction	286	286	286	0
25.1	Advisory and assistance services	95,476	96,384	103,906	7,522
25.2	Other services from non-Federal sources	207,397	209,271	231,354	22,083
25.3	Other goods and services from Federal sources 1/	4,100	4,100	4,100	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	2,818	2,818	2,818	0
31.0	Equipment	6,378	5,981	5,981	0
33.0	Investments and Loans	112,000	152,000	269,000	117,000
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	5,827,000	5,818,000	6,386,000	568,000
	Total	6,435,634	6,472,809	7,190,705	717,896
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	4,100	4,100	4,100	0

PENSION BENEFIT GUARANTY CORPORATION

AUTHORIZING STATUTES

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

PENSION BENEFIT GUARANTY CORPORATION

APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2006					
Base Appropriation...1/	\$296,978	\$296,978	\$296,978	\$385,647	870
2007					
Base Appropriation...2/	\$397,645	\$397,645	\$397,645	\$405,391	870
2008					
Base Appropriation	\$411,151	\$411,151	\$411,151	\$411,151	870
2009					
Base Appropriation...3/	\$444,722	\$444,722	\$444,722	\$444,722	928
2010					
Base Appropriation	\$464,067	\$464,067	\$464,067	\$464,067	941
2011					
Base Appropriation...4/	\$466,301	\$0	\$0	\$464,067	941
2012					
Base Appropriation...5/	\$476,901	\$476,901	\$476,901	\$476,901	999
2013					
Post Sequestration...6/	\$479,013	\$0	\$0	\$470,906	1017
2014 Post Sequestration Revised					
Base Appropriation...7/	\$505,441	\$0	\$0	\$496,634	956
2015					
Base Appropriation...8/	\$415,394	\$0	\$0	\$406,425	977
2016					
Base Request	\$431,799	\$0	\$0	\$0	980

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

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

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

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

5/ FY 2012 reflects authorized FTE.

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

7/ FY 2014 appropriation reflects a temporary sequestration reduction.

8/ FY 2015 appropriation reflects a temporary sequestration reduction.

PENSION BENEFIT GUARANTY CORPORATION

Overview

The Pension Benefit Guaranty Corporation (PBGC) is a federal corporation, established under the Employee Retirement Income Security Act of 1974, as amended. It guarantees payment of basic pension benefits earned by more than 41,000,000 American workers in two separate insurance programs. The single-employer program protects approximately 31,000,000 workers and retirees in over 22,000 pension plans. The multiemployer program protects approximately 10,000,000 workers and retirees in about 1,400 pension plans. PBGC receives no funds from general tax revenues. Operations are financed by insurance premiums paid by companies that sponsor defined benefit pension plans, investment income, and assets from terminated plans.

PBGC is currently administered by a career civil servant as the Acting Director. The Director is subject to the policies established by the Board of Directors, and is responsible for the agency's management, personnel, organization, budget and investments. PBGC's Board of Directors consists of the Secretaries of Labor (Chair), the Treasury, and Commerce.

Budget Request Summary

The FY 2016 administrative operating budget of \$431,799,000 and 980 FTE assumes our baseline spending authority, plus the following increases:

- A one-time increase of \$12,865,000 to improve our Information Technology delivery and security as well as correct long standing IT related material weaknesses, of which \$9,900,000 will address Inspector General audit findings concerning the Integrated Present Value of Future Benefits system, and \$2,965,000 will support Access Management, OS Modernization, and associated End of Service Life testing
- An increase of \$249,000 to support an Office of Inspector General request for additional financial statement audit funding
- An increase of \$500,000 for 3 Full Time Equivalent Employee (FTE) positions to support a Smaller Managers Pilot Program as recommended by the PBGC Board of Directors

PBGC Mission, Vision, and Values

Mission: PBGC enhances retirement security by preserving plans and protecting pensioners' benefits.

Vision: A sustainable pension insurance agency committed to serving its customers and expanding retirement security opportunities.

Values: We measure our performance by how we work and how we serve our customers. We are committed to excellence through:

- *Professionalism* and *Integrity* in protecting pensions and the expenditure of resources for our operations
- *Quality* and *Timeliness* in the information and services provided to our customers

PENSION BENEFIT GUARANTY CORPORATION

- *Teamwork* that taps the diverse talent and disciplines needed to achieve the desired results
- *Investment* in our people and technology
- *Benchmarking* our services across government by comparing our performance with other benefit paying agencies

PBGC Effectively Protects Retirement Security

Plan Preservation Efforts: PBGC tries, first, to preserve plans and keep pension promises in the hands of the employers who make them. When companies undertake major transactions that might threaten their ability to pay pensions, PBGC negotiates protections for their pension plans. Last year PBGC negotiated with dozens of companies, both in bankruptcy and otherwise, to preserve their plans. Similarly, when major layoffs or plant closures threaten a plan's viability, PBGC steps in to negotiate protection for the plan. In 2014, PBGC:

- Helped to protect the retirement security of 163,000 people by encouraging companies to keep their plans when they emerged from bankruptcy
- Negotiated \$464,000,000 in financial assurance to protect 126,000 people in plans at risk from corporate transactions
- Negotiated \$34,000,000 in financial assurance to protect almost 6,000 people whose companies downsized
- Worked with media, Congressional staff, retiree groups, unions, and pension advocacy groups to help thousands to understand the lifetime consequences of accepting a one-time cash payment

Stepping in to Insure Pensions When Plans Fail: When plans do fail, PBGC steps in to ensure that a portion of benefits continue to be paid. Over the years, PBGC has become responsible for more than 1,500,000 people in more than 4,600 failed plans. In 2014, PBGC:

- Paid \$5,500,000,000 to nearly 813,000 retirees in more than 4,600 failed single-employer plans (an additional 595,000 workers will receive timely and accurate benefits when they retire)
- Assumed responsibility for almost 53,000 more people in 97 trustee single-employer plans

FY 2016 Budget Demonstrates Executive Level Commitment to Strategic Objectives

On March 4, 2014, PBGC released its Strategic Plan for FY 2014-2018. This strategic plan supports PBGC's vision for a sustainable pension insurance program. It demonstrates a commitment to serve customers, and places greater emphasis on collaboration with the retirement community.

The following tables and narrative highlight completed or ongoing activities that support PBGC management priorities, strategic goals, and objectives.

PENSION BENEFIT GUARANTY CORPORATION

PBGC Management Priorities & Strategic Goals and Objectives									
PBGC Activities/Accomplishments	Management Priorities						PBGC Strategic Goals		
	Effectiveness		Efficiency		Economic Growth	People & Culture			
	Customer Service	Smarter IT Delivery	Shared Services	Benchmark & Improve Mission Support Operations	Open Data		Preserve Plans & Protect Pensioners	Pay Pension Benefits On Time & Accurately	Maintain High Standards of Stewardship & Accountability
Prepare and issue Benefit Determinations for Delphi Salaried and Hourly employees	X						X	X	X
Reduce backlogs in Benefit Determination process	X			X			X	X	X
Create Audit Peer Review in Asset Evaluation Division to improve audit quality and timeliness	X			X		X	X		X
Examine other business processes and systems to determine how to sustain high customer service while improving quality assurance	X	X	X	X		X	X	X	X
Analyze credit, investment, and actuarial risks to quantify and measure the impact of these risks to the insurance programs	X			X			X		X
Continue work on implementing corporate governance improvement as required by Section 40231 of P.L. 112-141, the Moving Ahead for Progress in the 21st Century Act (MAP-21)				X	X	X	X		X
Develop, and implement incentives/settlements to prevent plan sponsor initiated terminations and maximize recoveries	X			X			X		X
Reinvigorate the internal control program		X		X	X				X
Promulgate regulations that are understandable, flexible, relevant, and not unduly burdensome especially in light of the new ME legislation in Consolidated and Further Continuing Appropriations Act, 2015	X			X	X		X		X
Develop new initiatives as well as improve existing employee engagement programs to maintain a high performing, well-motivated workforce	X			X		X			X
Maintain systems that generate performance data and make data available for use monitoring agency progress in achieving program goals		X	X		X		X	X	X

PENSION BENEFIT GUARANTY CORPORATION

PBGC Focuses on Management Priorities

Customer Service. PBGC has a strong and longstanding tradition of customer service. We strive to deliver an exceptional experience for customers and regularly solicit feedback through customer satisfaction surveys. We follow through on customer concerns and use the data to identify operational strengths and gaps. Our high customer satisfaction scores reflect the success of our efforts. PBGC serves its customers by:

- Paying retiree benefits on time and accurately every month
- Providing financial assistance to insolvent multiemployer plans
- Providing retiree newsletters which provide guidance on how to interact with PBGC and include topics such as tax information and identity protection
- Operating the Customer Contact Center provides experienced assistance to pension plan participants via our toll-free number, and our participant problem resolution officer works with customers to resolve complex problems
- Maintaining an online transactional tool, My Pension Benefit Account (MyPBA), allows customers to handle routine transactions — such as address changes, updates to tax withholdings, and direct deposit changes — at any time of day or night
- Providing My Plan Administration Account (My PAA), PBGC’s online premium-filing tool, which provides round-the-clock filing capability and access to plan information
- Publishing *Retirement Recap*, which debuted in 2014, an expanded outreach email communication to a broad cross-section of customers, and features highlights from PBGC’s blog, as well as other news stories relevant to pension plan practitioners, participants, and others

Shared Services. In FY 2014, PBGC implemented the DOJ Cyber Security Assessment & Management (CSAM) tool to centrally track and monitor Plans of Action & Milestones (POA&Ms). PBGC also signed on as an early adopter of DHS’s Continuous Diagnostics and Mitigation Program. These actions support the Shared Services Cross-Agency Priority goal for Shared Services by leveraging resources and driving out redundancy.

Open Data. PBGC supports the Federal Government’s Open Data Policy in the following ways:

- Provides analysis and reporting on customer feedback and collaborated with operating areas to implement customer-focused improvements
- Maintains systems that ensure effective use and availability of program data
- Maintains systems that generate performance data and make that data transparent and available for use in monitoring agency progress in achieving program and management goals
- Posts seven data sets on PBGC operations as follows:
 - Multiemployer Pension Plans
 - Single-Employer Pension Plans
 - Financial Assistance Payments to Multiemployer Plans

PENSION BENEFIT GUARANTY CORPORATION

Single-Employer Plans Trusteed by PBGC
PBGC Financial Summary Data
Budget Summary of Changes
Pension Insurance Data Tables

Smarter IT Delivery. The PBGC IT request directly supports OMB directions to focus on efforts to improve infrastructure investment oversight and improve information technology delivery. In compliance with OMB Fiscal Year 2016 Budget Guidance (M-14-07), PBGC developed this proposal aligning with the PBGC 2014-2018 Strategic Plan as well as PBGC's IT Strategic Plan to correct IG findings. The FY 2016 budget request supports this priority by:

- Funding improvements in the Integrated Present Value of Future Benefits system, which will aid correcting long standing IT related material weaknesses
- Funding enhancements to Access Management, Operating System (OS) Modernization and associated End of Service Life testing

Benchmarking. During FY 2014, PBGC undertook several process improvement projects with the goals of improving administrative efficiencies and adopting effective management practices. By focusing on improving mission-support operations, PBGC supports the Benchmarking priority. Examples of these operations include:

- Developing a contractor tracking system in a cross-functional effort to more accurately count PBGC contractors, serving to promote dialogue between departments, which in turn allows for more efficient resource allocation as contractor needs change
- Continuing to enhance service contract inventory tracking system, which will allow PBGC to identify potential inherently governmental activities and ensure those activities are conducted by federal FTE rather than contractors

Stewardship. PBGC is also committed to prudent stewardship of the funding it receives in support of the President's commitment to reduce spending on lower priority programs in order to create room for effective investments in areas that remain critical to securing our Nation's future. PBGC made additional internal realignments of \$8,100,000.

Participant and Plan Sponsor Advocate. PBGC established the independent Office of the Participant and Plan Sponsor Advocate with a separate funding line at the amount requested by the Advocate for FY 2016. The funding will cover travel, training and conferences as well as supplies and equipment needs for the Office of the Participant and Plan Sponsor Advocate.

Insurance Premium Reform Is Needed To Strengthen the Pension Benefit Guaranty Corporation's Ability To Protect Worker Pensions.

The PBGC acts as a backstop to insure pension payments for workers whose companies have failed. PBGC's single employer program covers plans that are normally sponsored by an individual company; the multiemployer program covers plans set up by collectively bargained agreements involving more than one unrelated employer. Both programs are underfunded, and PBGC's combined liabilities exceeded its assets by approximately \$62 billion at the end of 2014.

PENSION BENEFIT GUARANTY CORPORATION

Congress has raised premiums twice in each program since 2012, but rates remain much lower than what a private financial institution would charge for insuring the same risk and more importantly, well below what is needed to ensure that PBGC can meet the goal of providing benefits to beneficiaries when plans fail. Any further premium increases need to be carefully crafted to avoid worsening PBGC's financial condition and harming workers' retirement security by driving healthy plans that pose little risk of presenting a claim to PBGC out of the system.

To address these concerns, the Budget proposes to give the PBGC Board the authority to adjust premiums in both the single-employer and multiemployer programs and directs PBGC to take into account the risks that different sponsors pose and the importance of providing lifetime income to participants. This proposal is estimated to save \$19 billion over the next decade, a decrease of \$1 billion from a similar proposal presented for FY 2015 to reflect the multiemployer revenue increases included in the P.L. 113-235 Consolidated and Continuing Appropriations Act, 2015. Premium increases would be split between the single-employer and multiemployer programs proportionately based on the size of the deficit in each program.

PENSION BENEFIT GUARANTY CORPORATION

PBGC Performance Measures

The PBGC Strategic Plan summarizes the direction for PBGC’s programs and support functions. It defines PBGC’s broad, long-term goals and the results that we strive to accomplish. It further outlines the shorter-term objectives and activities we will undertake and how we will monitor our progress. Our overall measures of success are how well we do our work and serve our customers. The organizational structure aligns with our goals, enabling us to work across the organization to accomplish them.

PBGC's FY 2014 Annual Report provides important information on the PBGC's operations and its finances. It highlights many of the accomplishments of the PBGC over this past fiscal year and also future challenges and program risks.

For the full FY 2014-2018 PBGC Strategic Plan, please visit:

<http://www.pbgc.gov/Documents/PBGC-Strategic-Plan-2014-2018.pdf>

For the FY 2014 PBGC Annual Performance Report, please visit:

<http://www.pbgc.gov/about/reports/ar2014.html>

The table that follows is a summary of the FY 2014-2018 PBGC Strategic Plan.

PBGC Strategic Plan					
Strategic Goal 1: Preserve Plans and Protect Pensioners					
Strategic Objectives	Performance Goals				
<ul style="list-style-type: none"> • Preserve plans during bankruptcy and other corporate transactions • Encourage flexibility to preserve plans through changes in legislation and regulations 	<ul style="list-style-type: none"> • Work with plan sponsors to preserve plans in a way they can afford using PBGC's existing tools and by encouraging creation of additional options • Encourage legislative and regulatory changes that preserve multiemployer plans and enable them to attract new employers and to keep the ones they have 				
Goal Leaders: Chief of Negotiations and Restructuring and Chief Policy Officer					
Performance Measures & Targets					
Goal 1 Performance Measures & Targets	FY 2012 Result	FY 2013 Result	FY 2014 Result	FY 2015 Target	FY 2016 Target
Participants protected as a result of our actions in bankruptcy cases where plan sponsors emerge from bankruptcy with plans ongoing and in early warning settlements	41,930	161,000	163,000	These activities are not amenable to targets	
Additional payments resulting from standard termination enforcement actions	\$3M to 454 people	\$4M to 1,539 people	\$6.5M to 938 people		

PENSION BENEFIT GUARANTY CORPORATION

PBGC Strategic Plan					
Strategic Goal 2: Pay Pension Benefits on Time and Accurately					
Strategic Objectives		Performance Goals			
<ul style="list-style-type: none"> • Promote exceptional customer service to pensioners • Ensure regular monthly benefit payments continue without interruption • Provide accurate and timely benefit calculations 		<ul style="list-style-type: none"> • Maintain exemplary ACSI customer satisfaction ratings • Continue uninterrupted benefit payments in newly trustee plans • Approve benefit applications within 45 days • Improve the accuracy, timeliness, and completeness of benefit determinations 			
Goal Leaders: Chief of Benefits Administration and Payments and General Counsel					
Performance Measures & Targets					
Goal 2 Performance Measures & Targets	FY 2012 Result (Target)	FY 2013 Result (Target)	FY 2014 Result (Target)	FY 2015 Target	FY 2016 Target
Customer satisfaction ratings: <ul style="list-style-type: none"> • Customer Contact Center calls • Retirees and beneficiaries receiving benefits • Users of MyPBA 	87% (81%)	87% (81%)	85% (81%)	85%	85%
Benefit applications approved within 45 days	90% (87%)	88% (87%)	75% (87%)	87%	87%
Average time (years waiting) to issue benefit determinations (between trusteeship and benefit determination issuance)	3.5 (2.9)	4.0	4.3 (4.3)	4.3	TBD
Estimated benefits within 10 percent of final benefit determination	95% (95%)	96% (95%)	97% (95%)	95%	95%
Strategic Goal 3: Maintain High Standards of Stewardship and Accountability					
Strategic Objectives		Performance Goals			
<ul style="list-style-type: none"> • Provide exceptional customer service to plan sponsors and premium filers • Restore PBGC's finances • Meet or exceed the financial and ethical standards that apply to PBGC as a major financial and government agency • Maintain secure, flexible, and scalable technology to support effective and efficient business operations 		<ul style="list-style-type: none"> • Maintain exemplary customer satisfaction ratings • Pursue legislation that allows premiums to adequately finance PBGC's activities • Manage investments consistent with prudence and the investment policy • Collect insurance premiums due 			

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PBGC Strategic Plan					
<ul style="list-style-type: none"> Maintain a high performing workforce 	<ul style="list-style-type: none"> Recruit, train, and retain high-quality multidisciplinary workforce Achieve an unqualified audit opinion on PBGC's financial statements; eliminate material weaknesses and significant deficiency; continue compliance with the Improper Payments Elimination Act of 2010 to prevent, detect, and recover improper payments Implement a coherent strategy to upgrade information technology while meeting security requirements 				
Goal Leaders: Chief Management Officer and Chief Financial Officer					
Performance Measures & Targets					
Goal 3 Performance Measures & Targets	FY 2012 Result (Target)	FY 2013 Result (Target)	FY 2014 Result (Target)	FY 2015 Target	FY 2016 Target
Customer satisfaction ratings:					
<ul style="list-style-type: none"> Plan sponsors and premium filers 	76% (72%)	74% (72%)	73% (72%)	72%	75%
<ul style="list-style-type: none"> MyPAA 	80% (77%)	80% (78%)	81% (78%)	78%	80%
<ul style="list-style-type: none"> Information and services 	70% (72%)	71% (75%)	76% (75%)	80%	80%
<ul style="list-style-type: none"> PBGC.gov Web site 	71% (71%)	72% (72%)	73% (73%)	74%	74%
Financial statement audit		Unqualified	Unmodified	Unmodified	Unmodified
Compliance with Improper Payments Elimination and Recovery Act	Yes	Yes	Yes	Yes	Yes
Material weaknesses and significant deficiency	N/A	Progress	Progress	Progress	Progress
FedView Employee Engagement Index	67%	64%	65%	TBD	TBD
Compliance with EEOC MD 715 model work environment	N/A	Yes	Yes	Yes	Yes

Key Areas for Innovation and Improvements

Customer Service

PBGC will continue providing outstanding customer service. Initiatives underway will:

- **Reduce** the time it takes to notify participants of their final benefit;
- **Add** frequently requested functions to MyPBA, our online self-service tool for participants and retirees;
- **Finalize** additional rules to streamline the premium filing process;
- **Establish** an online newsletter subscription to better inform all our customer groups and the broader community; and

PENSION BENEFIT GUARANTY CORPORATION

- *Simplify* navigation and search features of PBGC.gov so customers can quickly get to the information they want.

PBGC will continue to listen to its customers so that we can allocate our resources to the delivery of outstanding customer service.

Evidence Building

PBGC places great importance on research and program evaluation in the development of agency performance goals. Results from such research and program evaluations are carefully evaluated and incorporated in the performance planning process to ensure greater customer satisfaction, both internally and externally. Two areas where evidence building and performance planning are linked are the Pension Insurance Modeling System and the Multiemployer Program.

Pension Insurance Modeling System (PIMS)

PIMS is used to create the projections that go into our annual report on the direction of PBGC's single-employer and multiemployer programs. By the end of fiscal year 2013, PIMS had been reviewed both by outside experts hired by PBGC and through a Congressionally-mandated Peer Review. A subsequent Peer Review is being contracted, and as we receive new recommendations, we continue to evaluate them and incorporate them into our models.

Multiemployer Program

PBGC is analyzing data on multiemployer plans. We hope to identify:

- How many participants receive their full benefit
- How many receive reduced benefits
- The average percentage of reductions

This and other data will assist PBGC and policy makers as they analyze multiemployer plan solvency and guaranteed benefit levels. In addition, we will increase the information we have to draw conclusions and make decisions about the behavior of multiemployer plans, including the experience of plans under the withdrawal liability rules.

Data Validation and Verification

The data contained in the PBGC Performance Plan is monitored at the highest levels within PBGC. As such, the information put forth in the plan was deemed accurate and reliable per PBGC Director sign-off on the FY 2014 PBGC Annual Performance Report on November, 17, 2014.

PENSION BENEFIT GUARANTY CORPORATION

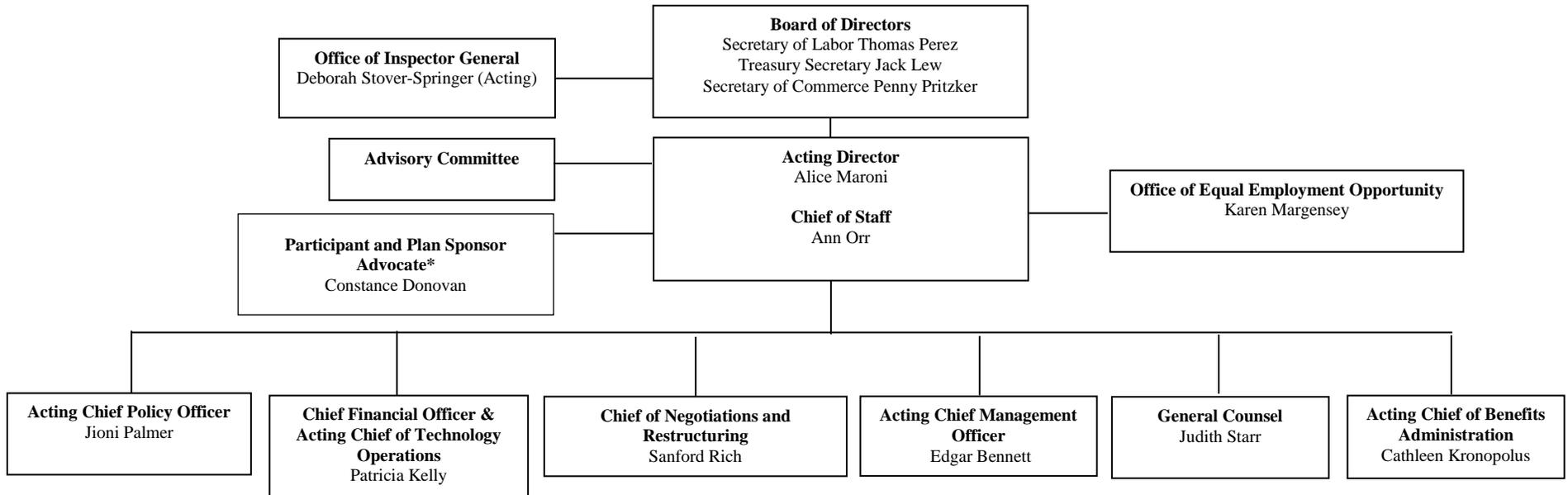
Cost Model

The FY 2016 administrative operating budget of \$431,799,000 and 980 FTE assumes:

Increases

- An increase of \$2,791,000 to reflect inflation adjustments for costs such as rent, personnel compensation, and long term contracts
- A one-time increase of \$12,865,000 to improve our IT delivery and security as well as correct long standing IT related material weaknesses, of which \$9,900,000 will address Inspector General audit findings concerning the Integrated Present Value of Future Benefits system, and \$2,965,000 will support Access Management, OS Modernization, and associated End of Service Life testing
- An increase of \$249,000 to support an Office of Inspector General request for additional financial statement audit funding
- An increase of \$500,000 for 3 Full Time Equivalent Employee (FTE) positions to support a Smaller Managers Pilot Program as recommended by the PBGC Board of Directors
- Restoration of FY 2015 estimated sequestration in the amount of \$8,969,000

PENSION BENEFIT GUARANTY CORPORATION



*In accordance with MAP-21 and subsequent legislation, the independent Pension and Plan Sponsor Advocate reports to the Director and Board of Directors

CONSOLIDATED ADMINISTRATIVE ACTIVITIES

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014 ¹¹	2015 ¹²	2016	Diff. 2016 / 2015
Activity Appropriation	496,634	406,425	431,799	25,374
FTE	954	977	980	3

¹¹ FY 2014 reflects actual FTE. Authorized FTE for FY 2014 was 956. FY 2014 Enacted includes Investment Management Fees of \$95,476; Investment Management Fees are no longer included in administrative activities in FY 2015 and going forward. FY 2014 reflects sequestration reduction to mandatory accounts pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended.

¹² FY 2015 reflects sequestration reduction to mandatory accounts pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended.

Introduction

Consolidated Administrative Activity

The Budget proposes to reform the previous administrative apportionment classifications from three budget activities to one budget activity starting in FY 2016 to make our operations more efficient and improve stewardship of our resources.

Having its administrative budget fragmented into three different areas has retarded PBGC's ability to strategically plan initiatives at the Agency level by forcing their funding into a stove pipe. This is especially evident in the area of IT. The current three administrative activity areas fragment PBGC's budget, inhibit the ability of executives to manage resources effectively, and lead to annual requests for reprogramming authority from OMB to move spending authority between activity areas to fund corporate priorities. The fragmented activity structure often results in underutilization of FTE authority due to inability to move PC&B funds across activity lines.

For a government corporation that does not use tax dollars, the single administrative activity is both the standard practice and is more practical. Most government corporations and independent agencies with non-appropriated funding sources have a single administrative activity. Even those with multiple grant, insurance or loan programs consolidate their administrative expenses within a single activity; few government corporations or independent agencies with administrative budgets below \$500,000,000 further divide that budget into separate activities.

Consolidating administrative functions in a single activity will enable PBGC to focus its resources where they are most needed in the most efficient manner, which is particularly important in the current budget environment.

The Budget also requests an administrative operating budget of \$431,799,000 which includes:

- A one-time increase of \$12,865,000 to improve our IT delivery and security as well as correct long standing IT related material weaknesses, of which \$9,900,000 will address Inspector General audit findings concerning the Integrated Present Value of Future

CONSOLIDATED ADMINISTRATIVE ACTIVITIES

Benefits system, and \$2,965,000 will support Access Management, OS Modernization, and associated End of Service Life testing

- An increase of \$249,000 for the Office of Inspector General to fully fund the financial statement audit
- An increase of \$500,000 for 3 Full Time Equivalent Employee (FTE) positions to support a Smaller Managers Pilot Program as recommended by the PBGC Board of Directors

PBGC's administrative activities continue to comprise all expenditures and operations that support the following program areas:

- Direct benefit payments to pension plan participants
- Direct financial assistance to distressed multiemployer pension plans
- Investment management activities, exclusive of fees

These operations are conducted by:

The **Office of Benefits Administration** (OBA) includes the largest operational department at PBGC handling plan participants matters, the **Benefits Administration and Payment Department** (BAPD). The OBA engages in executive and strategic leadership to foster continuous improvements to PBGC's operational processes and performance

BAPD manages the termination process for defined benefit plans, provides participant services (including calculation and payment of benefits) for PBGC-trusted plans, provides actuarial support for PBGC, and carries out PBGC's responsibilities under settlement agreements. When it is necessary to terminate a defined benefit pension plan, BAPD values plan assets and liabilities, and collects, evaluates, and performs participant and plan financial audits, making decisions on participant benefit entitlements and plan worth.

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

- The **Office of the Chief Counsel** (OCC) provides comprehensive legal services relating to PBGC's ERISA programs involving ongoing and terminated pension plans, under the general supervision of the General Counsel. The office represents PBGC in litigation in all courts relating to ERISA functions, represents PBGC in bankruptcy or insolvency proceedings, provides legal advice and services to support negotiations and settlements, and makes recommendations concerning the initiation of litigation.
- The **Corporate Finance & Restructuring Department** (CFRD) monitors the corporate events and transactions of defined benefit pension plan sponsors and provides financial and actuarial analyses to enable PBGC to mitigate risks to the insurance program and increase overall plan funding levels. In coordination with the Office of Chief Counsel,

CONSOLIDATED ADMINISTRATIVE ACTIVITIES

CFRD determines and pursues recoveries of employer liability and unpaid employer contributions, makes recommendations concerning the filing of liens, and makes recommendations to the Internal Revenue Service concerning conditions for granting waivers of minimum funding standards.

The **Office of Policy and External Affairs**(OPEA) oversees and directs outreach to PBGC external stakeholders, including the press, interacts with the Congress, Executive Branch agencies and industry and labor groups on ERISA and PBGC issues. It also manages the analysis, review and drafting of legislative and regulatory proposals and regulations. OPEA includes two departments:

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

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

- **Financial Operations Department (FOD)** - establishes and maintains PBGC's financial and accounting systems, financial management policy, financial procedures, accounting operations, financial reporting and account analysis activities, the investment management program, the premium income program and the debt collection program.
- **Corporate Investment Department (CID)** - provides investment management services for plans trusted by the PBGC and for assets managed by PBGC.
- **Contracts and Controls Review Department (CCRD)** - prepares reports regarding: (1) the effectiveness of PBGC internal controls, systems, and programs; (2) whether ongoing defined benefit pension plans are in compliance with PBGC regulations regarding premiums and funds advanced to multiemployer plans; and (3) whether contractors performing services for PBGC are in compliance with PBGC's acquisition policies and contractual requirements. CCRD also serves as the agency liaison for audits conducted by PBGC's Office of Inspector General and the Government Accountability Office and is responsible for administering PBGC's Management Controls Program.
- **Office of Information Technology (OIT)** is responsible for PBGC's information technology program. OIT provides Information Technology (IT) and electronic communications services and support to PBGC; plans for, directs and coordinates the

CONSOLIDATED ADMINISTRATIVE ACTIVITIES

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 General Counsel (OGC)** - The General Counsel is the chief legal officer of PBGC and oversees all legal activities. OGC provides legal advice and counsel for the Board on request, as well as the PBGC Director and departments on the full range of legal matters. OGC also decides administrative appeals of agency decisions concerning benefit coverage and other determinations and administers the disclosure and other requirements of the Freedom of Information and Privacy Acts.

The **Office of Management and Administration (OMA)** provides advice and services to other PBGC offices and staff in the management support areas of human resources, employee development, personnel and physical security, facility services, emergency preparedness, records management, library services, telework, procurement, budget, process improvement, strategic planning and information technology. The Office of Management and Administration (OMA) includes five PBGC components:

- **Workplace Solutions Department (WSD)** - plans and administers PBGC's facility management, including its lease administration and space utilization programs; administration and office support; building safety and security, Continuity of Operations (COOP), and disaster preparedness and recovery programs; records management program; and PBGC's telework program. WSD also manages the Corporate library and coordinates reference and research resources within PBGC.
- **Procurement Department (PD)** - is responsible for the acquisition of all goods and services used by the PBGC to accomplish its mission. The PD, which follows the procedures established in the Federal Acquisition Regulations in awarding and administering its contracts, ensures that the contracts are performed in accordance with the terms and conditions established during the award process.
- **Budget Department (BD)** - plans, administers, and reports on PBGC's budget. BD represents PBGC across the executive and legislative branches on budget and manages the formulation and execution of the PBGC budget.
- **Human Resources Department (HRD)** - provides PBGC managers with a team of leaders and professionals, who can learn, contribute and grow to their fullest potential in support of PBGC's mission. HRD plans and administers PBGC's human resource management programs, including staffing, employee development and assistance, employee and labor relations, personnel policy activities, and Special Emphasis and Diversity Programs.
- **Quality Management Department (QMD)** - develops agency strategic and annual plans, assesses work processes and customer feedback to identify improvements, uses performance data to inform corporate decisions, and employs business analytics to support continuous process improvement.

CONSOLIDATED ADMINISTRATIVE ACTIVITIES

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

The **Participant and Plan Sponsor Advocate**, a newly created independent position under the Moving Ahead for Progress in the 21st Century Act of 2012, was appointed in FY 2014 by the PBGC Board of Directors. The Advocate acts as a liaison between PBGC, sponsors of defined benefit plans, and participants in plans trusted by the PBGC. The Advocate helps resolve disputes between PBGC and plan sponsors or participants and advocates for the rights of participants in plans trusted by the PBGC. The Advocate also provides an annual report to Congress summarizing issues raised by plan sponsors and participants, and makes recommendations for legislative changes and changes to administrative practices of PBGC to mitigate problems.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> ¹³ (Dollars in Thousands)	<u>FTE</u>
2011	\$464,067	941
2012	\$476,901	999
2013	\$470,906	1017
2014	\$496,634	956
2015	\$406,425	977

¹³ In FY 2011 through FY 2015, 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 2011 through FY 2014; beginning in FY 2015, Investment Management Fees are treated as a separate program activity and are not included in the FY 2015 funding column.

FY 2016 PBGC priorities include:

- Continue implementing statutory requirements of P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015; Divisions O,P, and Q, which made significant changes to the multiemployer program as well as the larger multiemployer pension system
- BAPD production and backlog clearing as well as strategic review implementation
- Support and monitor ME program whether for technical assistance, policy or premium changes
- PIMS improvements and studies
- Improve the internal control environment with progress on clearing material weaknesses, significant deficiencies, and IG findings

CONSOLIDATED ADMINISTRATIVE ACTIVITIES

- Unmodified financial statement audit
- Improve employee morale and trust levels through more effective and frequent communication efforts

FY 2015 PBGC priorities include:

- Strengthen SE and ME-PIMS by enhancing policies and procedures and the quality of actuarial work products, providing actuarial evaluations of PBGC's future expected operations and financial status, and effectively implementing requirements of the OIG's Management Advisory Report and MAP-21 legislation
- Implement statutory requirements of P.L. 113-235, Consolidated and Further Continuing Appropriations Act, 2015; Divisions O,P, and Q
- Continue preparation and issue Benefit Determinations for Delphi Salaried and Hourly employees
- Develop new policies and procedures on Case and Data Management that improve data collection and case management activities
- Continue technology refreshes of PBGC's technical environment components to keep current with vendor maintenance services and supplied security patches
- Develop internal control processes, directive reviews, and performance plans to ensure services are compliant with standards, enforcement is monitored, and compliance is validated
- Develop new initiatives as well as improve existing employee engagement programs to maintain a high performing, well-motivated workforce

FY 2014 accomplishments include:

- Helped to protect 163,000 people by encouraging companies to keep their plans when they emerged from bankruptcy
- Negotiated \$464,000,000 in financial assurance to protect 126,000 people in plans at risk from corporate transactions
- Negotiated \$34,000,000 in financial assurance to protect almost 6,000 people whose companies downsized
- Worked with media, Congressional staff, retiree groups, unions, and pension advocacy groups to help thousands to understand the lifetime consequences of accepting a one-time cash payment
- Paid \$5,500,000,000 to nearly 813,000 retirees in more than 4,600 failed single-employer plans (an additional 595,000 workers will receive timely and accurate benefits when they retire)
- Assumed responsibility for almost 53,000 more people in 97 trusted single-employer plans

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, coupled with a skilled combination of litigation and negotiation activities, remains critical to PBGC's success in preserving America's defined benefit pension plans. The continuing need to carefully monitor insured pension plans reflect the conditions in industries with a high concentration of large multiemployer plans (e.g., transportation and construction) and single-employer plans (e.g., autos, manufacturing, transportation, newspapers, healthcare, and retail).

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

Of particular importance to the operations of PBGC is the multiemployer program. On June 30, 2014, PBGC released the FY 2013 PBGC Projections Report, which noted that most of the uncertainty in the multiemployer system is concentrated in the probability of new claims. These new claims will arise primarily, but not solely, from plans that are currently in poor financial condition. While it is clear that a significant number of plans with a substantial number of participants remain at risk, there is great uncertainty as to the probability and timing of potential mass withdrawals and the insolvencies that eventually follow. Thus, the effect on workload is difficult to predict.

Given the statutory requirement of MAP-21 to audit financial assistance in the multiemployer program and the uncertainty of timing and mass of new claims, PBGC prioritized its existing resources to provide for increased contractor support to handle the projected influx of requests for financial assistance.

Potential Workload Increases in the Multiemployer Program

The Consolidated and Further Continuing Appropriations Act of 2015 addressed several critical issues impacting multiemployer plans and imposed new requirements to deal with those issues. The new provisions, which provide multiemployer plan sponsors the option to suspend pension benefits subject to review and approval by the Department of the Treasury, in consultation with PBGC and the Department of Labor, and effectively repealed and replaced ERISA's partition rules for multiemployer plans have the potential to affect workload in the Multiemployer Program in the following ways:

- PBGC may be required to provide staff support for review of proposed benefits suspensions
- PBGC may be required to represent the government during judicial review of denial or approval of benefit suspensions
- PBGC gained authority to facilitate plan mergers, making PBGC responsible for training, technical assistance, mediation, communication with stakeholders, support with related requests to other governmental agencies, and the provision and oversight of additional financial assistance

CONSOLIDATED ADMINISTRATIVE ACTIVITIES

- The revised authority to partition plans as well as changes to the PBGC guarantee, and other changes in plan and sponsor liability could lead to additional requests for technical and financial assistance as well as partition reviews
- PBGC will need to help plans understand their new responsibilities under the statutes enacted by Congress and explain their interaction with existing requirements

CONSOLIDATED ADMINISTRATIVE ACTIVITIES

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		2014¹⁴	2015¹⁴	2016	Diff. 2016 / 2015
11.1	Full-time permanent	107,646	110,626	112,919	2,293
11.3	Other than full-time permanent	1,564	1,564	1,564	0
11.5	Other personnel compensation	4,005	4,005	4,005	0
11.9	Total personnel compensation	113,215	116,195	118,488	2,293
12.1	Civilian personnel benefits	30,608	31,547	32,210	663
21.0	Travel and transportation of persons	1,859	1,758	1,758	0
22.0	Transportation of things	1	1	1	0
23.2	Rental payments to others	28,637	28,489	28,824	335
23.3	Communications, utilities, and miscellaneous charges	5,859	5,979	5,979	0
24.0	Printing and reproduction	286	286	286	0
25.1	Advisory and assistance services	95,476	0	0	0
25.2	Other services from non-Federal sources	207,397	209,271	231,354	22,083
25.3	Other goods and services from Federal sources 1/	4,100	4,100	4,100	0
26.0	Supplies and materials	2,818	2,818	2,818	0
31.0	Equipment	6,378	5,981	5,981	0
	Total	496,634	406,425	431,799	25,374
	1/Other goods and services from Federal sources				
	Services by Other Government Departments	4,100	4,100	4,100	0

¹⁴ In FY 2014 and FY 2015, the PBGC administrative budget included three activities: Pension Insurance, Pension Plan Termination and Benefits Administration and Operational Support. For the presentation of the budget by object class, these activities have been consolidated.

CONSOLIDATED ADMINISTRATIVE ACTIVITIES

CHANGES IN 2016

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments		\$1,515
Personnel benefits		384
One day more of pay		557
Benefits for former personnel		0
Travel and transportation of persons		0
Transportation of things		0
Rental payments to GSA		0
Rental payments to others		335
Communications, utilities, and miscellaneous charges		0
Printing and reproduction		0
Advisory and assistance services		0
Other services from non-Federal sources		0
Working Capital Fund		0
Other goods and services from Federal sources		0
Research & Development Contracts		0
Operation and maintenance of facilities		0
Operation and maintenance of equipment		0
Supplies and materials		0
Equipment		0
Grants, subsidies, and contributions		0
Insurance claims and indemnities		0

Built-Ins Subtotal **\$2,791**

Net Program **\$2,791**

Direct FTE **0**

Estimate FTE

Base **\$409,216 977**

Program Increase **\$22,583 3**

Program Decrease **\$0 0**

OFFICE OF INSPECTOR GENERAL

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	6,127	6,157	6,377	220
FTE	27	26	26	0

Introduction

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

Under the IG Act, the agency head is the PBGC Board of Directors. We communicate with the Board through a regular monthly conference call with the Board Representatives and participate in all formal Board meetings. On a day-to-day basis, the Inspector General communicates with the PBGC Director and the Executive Management Committee members about the work the OIG conducts to identify problems and deficiencies in programs administered by PBGC, and the need for timely corrective action. We keep Congress informed through meetings and briefings with Members and their staffs; congressional testimony; and the IG's Semiannual Report to the Congress.

The Budget requests \$6,377,000, an increase of \$249,000 to fully fund the financial statement audit.

In accordance with section 6(f)(1) of the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3, the Acting Inspector General provides the following information:

- The aggregate request for the operations of the OIG is \$6,377,000
- Of that amount, \$74,724 is requested for training
- I certify that \$74,724 would satisfy the training requirements for FY 2016

OFFICE OF INSPECTOR GENERAL

PBGC Congressional Budget Justification Description of Fiscal Year Accomplishments and Budget Year Plans (FY/BY)

FY 2016

Notable OIG Activities include:

- Continue the Multiemployer (ME) Program audits and evaluations.
- Initiate an audit of PBGC's Office of Information Technology Incident Response Program.
- Review the implementation and operation of BAPD's Asset Evaluation Division (AED), including its procedures for evaluating pension plan assets.
- Conduct statutorily-required audits, including financial statements, FISMA, IPERA, and DATA Act, and address whistleblower complaints and Congressionally-requested work.
- Conduct data analytics to identify fraud risks in the single-employer program.
- Continue to work with DOL EBSA to identify and prosecute fraud in multiemployer pension plans.
- We anticipate conducting an audit peer review of another OIG.
- Continue to address outstanding audit recommendations, focusing on material weaknesses and significant deficiency.

FY 2015

Notable OIG Activities include:

- Issue performance audit reports addressing corrective actions to improve quality control in the Policy, Research and Analysis Department; premium collection activities; cloud computing initiatives; effectiveness, accuracy and completeness of the multiemployer financial assistance program, including accuracy of payments.
- Continue the series of audits and evaluations related to the multiemployer program,
- Initiate work addressing security of information technology, including audits, evaluations and investigations to examine PBGC's security and privacy measures around PBGC's customer service through self-service related to pension benefits.
- Continue work relating to benefits administration, including review the effectiveness of PBGC's corrective actions as a result of prior audits.
- Conduct statutorily-required audits and issue reports, including financial statements, FISMA, IPERA, and the new DATA Act, and address whistleblower complaints and Congressionally-requested work.
- Conduct data analytics to identify fraud risks in the multiemployer program and initiate

OFFICE OF INSPECTOR GENERAL

efforts to expand these capabilities into the single-employer program;

- Continue to work with DOL EBSA to identify and prosecute fraud in multiemployer pension plans.
- Continue to address outstanding audit recommendations, focusing on the three material weaknesses and one significant deficiency.
- We anticipate participating in an audit peer review.
- Upon the granting of full statutory law enforcement through US Marshals Service Special Deputization (December 9, 2014), continue to review and revise our investigative internal controls, policies and procedures to ensure compliance with all applicable statutes, regulations and policies. As part of the mandatory peer review process, we are scheduled to conduct a peer review of another OIG.

FY 2014

Notable accomplishments included:

- **Financial statement audit.** We issued 4 audit reports related to the audit of PBGC's FY 2013 financial statements, including the 21st consecutive unqualified opinion on the financial statements. Based on three material weaknesses – two in information technology controls and one in the pension benefits and payments operations – for the fifth year, we reported an adverse opinion on PBGC's system of internal controls. A separate internal control report provided details of the deficiencies underlying the three material weaknesses, and a management letter reported other less significant internal control issues. As a result of these reports, we issued 21 recommendations.
- **Information security weaknesses.** We filed the FISMA report with OMB on November 21, assessing PBGC's information security posture, and detailed on-going IT security weaknesses in the financial statement internal control report. We issued a narrative FISMA report and a report on vulnerability assessment and penetration testing; each described additional significant vulnerabilities that will require corrective action on the part of PBGC. In a security evaluation of PBGC's technology environment, we found no evidence of malicious attacker activity, but did identify weaknesses in PBGC's incident response program. As a result of these reports, we issued 29 recommendations.
- **Improper payments review.** As statutorily-required, OIG evaluated PBGC's compliance with the Improper Payments Act requirements. We concluded PBGC met the specific compliance requirements.
- **Evaluation of Termination of National Steel Plans.** In response to a Congressional request, we reviewed PBGC's actions regarding National Steel pension plans. We concluded that PBGC complied with its statute when making termination and benefit decisions. PBGC acted within its authority to terminate the plan and select the termination date. Also, PBGC did not violate the law when it made certain decisions that reduced pension benefits. We found, however, that PBGC's oversight of its contractor's work was insufficient. No new recommendations were issued as PBGC is still addressing recommendations from our first National Steel report.

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- **Audit of PBGC's Negotiated Funding Agreements.** We reviewed the effectiveness of PBGC's processes for monitoring, enforcing and modifying negotiated funding agreements that PBGC enters into with plan sponsors of on-going defined benefit pension plans. We found that PBGC operated its negotiated funding agreement activity without clearly defined objectives or documented operating procedures. PBGC viewed each agreement as a unique negotiation and lacked a programmatic view of the activity. As a result, PBGC operated the negotiated agreements program with a variable approach which lacked consistent standards, internal controls, and meaningful evaluation of the agreements over time. We issued eight recommendations for improvement.
- **Audit of PBGC's management of certain employee incentives.** In reviewing the effectiveness of PBGC's management and award of monetary payments as recruitment, retention and relocation incentives and student loan repayments, we concluded the program controls were inconsistent, sometimes not compliant with Federal requirements, and inconsistently applied to award these monetary benefits. We issued six recommendations for improvement.
- **Investigative Activity.** We adjudicated 97 complaints and initiated 12 investigations in addition to a set of ongoing investigations. Overarching categories of investigations included allegations of improper conduct by PBGC management, non-receipt of pension payments and various wire fraud scams. We engaged in multiple financial fraud detection and prevention activities and initiatives, including issuing fraud alerts to PBGC employees and contractors and taking steps for PBGC to post the alerts on its website, and conducting fraud awareness briefings at each of PBGC's contractor-operated Field Benefit Administration Offices.

On-going work included:

- Continued emphasis on follow-up on the high number of open audit recommendations: 172 at the beginning of FY 2014; by fiscal-year-end (FYE), open recommendations was 135, the lowest in five years. After FYE, we closed 23 and issued 41 new financial statement audit recommendations, and issued 10 recommendations from other reports. At the date of financial statement audit reports (11/15/14), there were 164 open recommendations.
- Audits related to: (1) PBGC's corrective actions to improve quality control and reduce the risk of future errors in certain actuarial reporting from the Pension Insurance Modeling System (PIMS); (2) the effectiveness, accuracy and completeness of the multiemployer financial assistance program, including accuracy of payments ; and (3) PBGC's cloud computing initiatives.
- Participation in OIG-community's audit of Federal Contracting for Cloud Services.
- Investigative activities in process include application for full statutory law enforcement, and initiation of an Allegation Processing Working Group comprised of OIG and senior PBGC leaders to focus on the timely and standardized processing of allegations of misconduct.

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PERFORMANCE MEASURES

	FY 2013 Target	FY 2013 Actual	FY 2014 Target	FY 2014 Actual	FY 2015 Target	FY 2016 Target
Percentage of OIG professional staff direct time dedicated to critical, high risk, or high-impact activities	80%	91%	85%	91%	85%	85%
Percentage of audits and evaluations where findings and recommendations are presented to auditee within established timeframes	75%	63%	80%	77%	85%	85%
Percentage of investigative inquiries timely converted to investigations or closed	75%	81%	80%	65%	80%	85%

We provide this context for our FY14 performance results:

- We strive to conduct audits and investigations that address critical, high risk or high-impact PBGC activities; we exceeded our target, yielding 91% of our auditors’ and investigators’ direct time on such activities. Though we have increased our target in previous years and then exceeded the target, we believe 85% is the right target as occasionally investigations and audit work must be done that may not be critical or high risk.
- We missed our target of 80% by 3% for the performance goal of timely presenting audit/evaluation findings and recommendations to PBGC. In FY 2014, we issued thirteen reports, which was an unprecedented number of reports; three were not timely. This is a significant improvement from our performance last fiscal year by 14%.
- We did not meet our timeliness goal to close or convert complaints to investigations within 60 days 80% of the time. Of the 97 complaints we received, 63 were adjudicated within 60 days; another 7 were adjudicated by the 71st day (or 72%). Our analysis of the remaining complaints showed they should have been “converted” to investigations as the investigators were conducting investigative activities, much of which was dependent on obtaining information from external parties. Metrics and controls have been re-emphasized.

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BUDGET ACTIVITY COMPONENT BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
11.1	Full-time permanent	3,097	2,976	3,101	125
11.3	Other than full-time permanent	31	31	31	0
11.5	Other personnel compensation	36	36	36	0
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	3,164	3,043	3,168	125
12.1	Civilian personnel benefits	795	746	792	46
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
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	1	1	1	0
24.0	Printing and reproduction	0	0	0	0
25.1	Advisory and assistance services	0	0	0	0
25.2	Other services from non-Federal sources	2,063	2,263	2,312	49
25.3	Other goods and services from Federal sources 1/	0	0	0	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	25	25	25	0
31.0	Equipment	31	31	31	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	Total	6,127	6,157	6,377	220
1/Other goods and services from Federal sources					

OFFICE OF INSPECTOR GENERAL

CHANGES IN FY 2016

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$31	
Personnel benefits	6	
One day more of pay	40	
Benefits for former personnel	0	
Travel and transportation of persons	0	
Transportation of things	0	
Rental payments to GSA	0	
Rental payments to others	0	
Communications, utilities, and miscellaneous charges	0	
Printing and reproduction	0	
Advisory and assistance services	0	
Other services from non-Federal sources	0	
Other goods and services from Federal sources	0	
Research & Development Contracts	0	
Operation and maintenance of facilities	0	
Operation and maintenance of equipment	0	
Supplies and materials	0	
Equipment	0	
Grants, subsidies, and contributions	0	
Insurance claims and indemnities	0	

Built-Ins Subtotal **\$77**

Net Program **\$77**

Direct FTE **0**

	Estimate	FTE
Base	\$6,234	26
Program Increase	\$249	0
Program Decrease	-106	0

INVESTMENT MANAGEMENT FEES PROGRAM

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014 ¹⁵	2015	2016	Diff. 2016 / 2015
Activity Appropriation	0	96,384	103,906	7,522
FTE	0	0	0	0

¹⁵ Investment Management Fees in FY 2014 were included in the Pension Insurance and Pension Plan Termination and Benefits Administration Activities.

Introduction

PBGC uses institutional investment management firms to invest its assets, subject to PBGC's oversight and consistent with the investment policy statement approved by our Board. PBGC does not determine the specific investments to be made but instead relies on PBGC's investment managers' discretion in executing investments appropriate for their assigned investment mandates. PBGC does ensure that each investment manager adheres to PBGC's prescribed investment guidelines associated with each investment mandate and measures each investment manager's performance in comparison with agreed upon benchmarks.

PBGC's investment assets consist of premium revenues, which are accounted for in the revolving funds and assets from trustee plans and their sponsors, which are accounted for in the trust funds. By law, PBGC is required to invest certain revolving funds (i.e., Funds 1 and 2) in obligations issued or guaranteed by the United States of America. Portions of the other revolving fund (i.e., Fund 7) can be invested in other debt obligations, but under PBGC's current investment policy these revolving funds are invested solely in Treasury securities.

Total revolving fund investments, including cash and investment income, at September 30, 2014, were \$19,246,000,000 (\$996,000,000 for Fund 1, \$1,701,000,000 for Fund 2, and \$16,549,000,000 for Fund 7). PBGC has never established funds 3, 4, 5 or 6, which ERISA authorized for special discretionary purposes. Trust fund investments totaled \$63,670,000,000 as of September 30, 2014. At the end of FY 2014, PBGC's total investments consisting of cash and cash equivalents, investments, and investment income receivable as shown on the Statements of Financial Position were \$82,916,000,000.

The Board reaffirmed PBGC's existing investment policy in April 2013. The objective is to maximize total return within a prudent risk framework that incorporates PBGC's fixed obligations and asset composition of potential trustee plans. The investment policy establishes a 30 percent target asset allocation for equities and other non-fixed income assets, and a 70 percent asset allocation for fixed income.

Due to the cyclical nature of capital markets, PBGC reports one-year, three-year, and five-year returns for its investment program. For the five-year period ending September 30, 2014, PBGC's return on total invested funds excluding transition accounts was 8.0% compared with a total fund benchmark return of 7.5%, a benchmark PBGC uses to conform with its

INVESTMENT MANAGEMENT FEES PROGRAM

investment policy.

Including the transition accounts, the five year annualized return was 7.9%. Separately, the ERISA/PPA hypothetical portfolio benchmark return for the five-year period ending September 30, 2014 was 11.4%.

A detailed description of PBGC's investment management activities including annualized returns and benchmark comparisons can be found in our FY 2014 Annual Report.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> ¹⁶ (Dollars in Thousands)	<u>FTE</u>
2011	\$0	0
2012	\$0	0
2013	\$0	0
2014	\$0	0
2015	\$96,384	0

¹⁶ Prior to FY 2015, Investment Management Fees were included in the administrative budget.

Workload Summary

Investment management fees are determined by the amount of assets under management.

INVESTMENT MANAGEMENT FEES PROGRAM

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		2014¹⁷	2015	2016	Diff. 2016 / 2015
25.1	Advisory and assistance services	0	96,384	103,906	7,522
	Total	0	96,384	103,906	7,522

¹⁷ Prior to FY 2015, Investment Management Fees were included in the administrative budget.

INVESTMENT MANAGEMENT FEES PROGRAM

CHANGES IN FY 2016

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Advisory and assistance
services

\$0

Built-Ins Subtotal

\$0

Net Program

\$7,522

Direct FTE

0

Estimate

FTE

Base

\$96,384

0

Program Increase

\$7,522

0

Program Decrease

\$0

0

SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	5,827,000	5,818,000	6,386,000	568,000
FTE	0	0	0	0

Introduction

Resources that PBGC requests for benefit payments result from a non-discretionary entitlement. Under this program PBGC pays guaranteed amounts to beneficiaries of private sector, single-employer defined benefit pension plans when those plans terminate without enough assets to provide basic benefits. About 31,000,000 workers and retirees in some 22,000 single-employer pension plans have a pension guaranty with PBGC.

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

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

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$6,009,000	0
2012	\$6,011,000	0
2013	\$5,800,000	0
2014	\$5,827,000	0
2015	\$5,818,000	0

SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
11.1	Full-time permanent	0	0	0	0
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	0	0	0	0
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	0	0	0	0
12.1	Civilian personnel benefits	0	0	0	0
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	0	0	0	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	0	0	0	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	0	0	0	0
25.3	Other goods and services from Federal sources 1/	0	0	0	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	0	0	0	0
31.0	Equipment	0	0	0	0
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	5,827,000	5,818,000	6,386,000	568,000
	Total	5,827,000	5,818,000	6,386,000	568,000
	1/Other goods and services from Federal sources				

SINGLE-EMPLOYER PROGRAM BENEFIT PAYMENTS

CHANGES IN 2016

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments		\$0
Personnel benefits		0
Benefits for former personnel		0
Travel and transportation of persons		0
Transportation of things		0
Rental payments to GSA		0
Rental payments to others		0
Communications, utilities, and miscellaneous charges		0
Printing and reproduction		0
Advisory and assistance services		0
Other services from non-Federal sources		0
Other goods and services from Federal sources		0
Research & Development Contracts		0
Operation and maintenance of facilities		0
Operation and maintenance of equipment		0
Supplies and materials		0
Equipment		0
Grants, subsidies, and contributions		0
Insurance claims and indemnities		0

Built-Ins Subtotal **\$0**

Net Program **\$568,000**

Direct FTE **0**

	Estimate	FTE
Base	\$5,818,000	0
Program Increase	\$568,000	0
Program Decrease	\$0	0

MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	2014	2015	2016	Diff. 2016 / 2015
Activity Appropriation	112,000	152,000	269,000	117,000
FTE	0	0	0	0

Introduction

Multiemployer financial assistance is a non-discretionary entitlement program. The multiemployer program covers about 10,000,000 participants in approximately 1,400 insured plans. Funded and administered separately from the single-employer program, the multiemployer program differs in that PBGC steps in to pay financial assistance at no more than the guarantee level to multiemployer plans when a covered plan proves unable to pay benefits when due rather than, as in the case of single-employer plans, when the plan terminates.

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

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2011	\$131,000	0
2012	\$123,000	0
2013	\$118,000	0
2014	\$112,000	0
2015	\$152,000	0

MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

BUDGET ACTIVITY BY OBJECT CLASS					
(Dollars in Thousands)					
		2014	2015	2016	Diff. 2016 / 2015
11.1	Full-time permanent	0	0	0	0
11.3	Other than full-time permanent	0	0	0	0
11.5	Other personnel compensation	0	0	0	0
11.8	Special personal services payments	0	0	0	0
11.9	Total personnel compensation	0	0	0	0
12.1	Civilian personnel benefits	0	0	0	0
13.0	Benefits for former personnel	0	0	0	0
21.0	Travel and transportation of persons	0	0	0	0
22.0	Transportation of things	0	0	0	0
23.1	Rental payments to GSA	0	0	0	0
23.2	Rental payments to others	0	0	0	0
23.3	Communications, utilities, and miscellaneous charges	0	0	0	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	0	0	0	0
25.3	Other goods and services from Federal sources 1/	0	0	0	0
25.4	Operation and maintenance of facilities	0	0	0	0
25.5	Research and development contracts	0	0	0	0
25.7	Operation and maintenance of equipment	0	0	0	0
26.0	Supplies and materials	0	0	0	0
31.0	Equipment	0	0	0	0
33.0	Investments and Loans	112,000	152,000	269,000	117,000
41.0	Grants, subsidies, and contributions	0	0	0	0
42.0	Insurance claims and indemnities	0	0	0	0
	Total	112,000	152,000	269,000	117,000
	1/Other goods and services from Federal sources				

MULTIEMPLOYER PROGRAM FINANCIAL ASSISTANCE

CHANGES IN 2016

(Dollars in Thousands)

Activity Changes

Built-In

To Provide For:

Costs of pay adjustments	\$0
Personnel benefits	0
Benefits for former personnel	0
Travel and transportation of persons	0
Transportation of things	0
Rental payments to GSA	0
Rental payments to others	0
Communications, utilities, and miscellaneous charges	0
Printing and reproduction	0
Advisory and assistance services	0
Other services from non-Federal sources	0
Other goods and services from Federal sources	0
Research & Development Contracts	0
Operation and maintenance of facilities	0
Operation and maintenance of equipment	0
Supplies and materials	0
Equipment	0
Grants, subsidies, and contributions	0
Insurance claims and indemnities	0
Investment and Loans	0
Built-Ins Subtotal	\$0

Net Program **\$117,000**

Direct FTE **0**

	Estimate	FTE
Base	\$152,000	0
Program Increase	\$117,000	0
Program Decrease	\$0	0