

Pension Benefit Guaranty Corporation Strategic Plan FY 2018-2022

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PENSION BENEFIT GUARANTY CORPORATION
2018-2022 STRATEGIC PLAN

Deliberative and Pre-Decisional

ABOUT PBGC AND ITS MISSION

The Pension Benefit Guaranty Corporation (**PBGC or the Corporation**) is a federal corporation established under the Employee Retirement Income Security Act of 1974 (ERISA). Congress established PBGC to encourage the continuation and maintenance of voluntary private pension plans for the benefit of their participants and to insure the pension benefits of workers and retirees. Today, the Corporation guarantees payment of basic pension benefits earned by approximately 40 million American workers and retirees in nearly 24,000 plans. While PBGC encourages companies to maintain their plans, the Corporation will pay benefits when companies cannot. Since 1974, PBGC has become responsible for payment of guarantee amounts that cover more than 1.5 million people in over 4,800 failed plans, making payments of \$5.8 billion annually as of FY 2016.

PBGC has three overarching strategic goals with the primary focus of enhancing retirement security. These strategic goals include:

- Preserve plans and protect the pensions of covered workers and retirees
- Pay pension benefits on time and accurately
- Maintain high standards of stewardship and accountability

PBGC operations are financed by insurance premiums paid by companies that sponsor defined benefit pension plans, investment income from plan assets trusted by PBGC and recoveries from companies formerly responsible for the plans. Congress sets PBGC premiums rates. PBGC receives no funds from general tax revenues.

PBGC's business operations, information technology programs, investment portfolios, budgets and finances are managed and supported by a multidisciplinary team of professionals and administrative staff. The workforce consists of just under 1,000 federal employees and a comparable number of contractors. These highly skilled professionals, who are committed to the work of PBGC's mission include:

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

Each PBGC employee has an important role in the Corporation's mission of protecting America's pensions.

STRATEGIC PLAN

PBGC's strategic plan summarizes the direction for its programs and support functions. The strategic plan describes the mission, long-term goals, end-results that PBGC strives to accomplish by FY 2022 and how the Corporation will monitor its progress. Additionally, the strategic plan outlines the actions PBGC will take to realize its goals and outlines the approach for addressing challenges and risks. Overall measures of success are defined by how well the Corporation performs and serves its customers.

The Government Performance and Results Act Modernization Act of 2010 requires federal agencies to develop a new strategic plan every four years. PBGC's FY 2018-2022 strategic plan includes updated mission and vision statements and enhanced strategies to improve the financial status of our insurance programs and promote retirement security for all Americans.

PBGC's strategic planning process is informed by current external and internal environments and their impact on the Corporation's programs, as well as its corporate risk profile. Senior leaders provide direct input into the strategic plan, and are committed to its execution.

MISSION, VISION AND VALUES

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

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

Values: Our core values include:

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

PBGC measures performance by how well it works and serves customers.

OVERVIEW OF PBGC'S INSURANCE PROGRAMS

PBGC runs two programs to insure different types of defined benefit pension plans: single-employer plans and multiemployer plans.

The single-employer program covers plans that are generally sponsored by one employer. When an underfunded single-employer plan terminates, PBGC steps in to pay guaranteed benefits. This typically happens when the employer sponsoring an underfunded plan goes bankrupt or out of business and can no longer afford to keep the plan going. In such case, PBGC takes over the plan's assets and payment of plan benefits, up to the legal limits. Single-employer plans can also end in a standard termination if the plan has enough money to pay all benefits owed to its participants.

The multiemployer program covers plans created through a collective bargaining agreement between employers and a union. Employers are usually in the same or related industries. Multiemployer plans provide benefits for people in several industries such as transportation, construction, mining and hospitality. PBGC provides financial assistance to insolvent multiemployer plans and offers technical assistance to multiemployer plan administrators, service providers and other stakeholders.

The two insurance programs are operated and financed separately. Each program presents its own set of challenges. However, PBGC's general goals and commitment to the programs remain the same.

OVERVIEW OF STRATEGIC GOALS

PBGC's three strategic goals flow directly from the purposes the Corporation was created to accomplish. ERISA Section 4002(a) states that PBGC is to carry out these purposes:

- To encourage the continuation and maintenance of voluntary private pension plans for the benefit of their participants.
- To provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries under plans to which this title applies.
- To maintain premiums established by the Corporation under ERISA Section 4006 at the lowest level, consistent with carrying out its obligations under ERISA Title IV.

STRATEGIC GOAL 1: PRESERVE PLANS AND PROTECT THE PENSIONS OF COVERED WORKERS AND RETIREES

PBGC protects pensioners and supports the continuation and maintenance of voluntary private pension plans for the benefit of their participants by:

- Protecting workers and retirees when plans are at risk.
- Uniting more missing participants with their pensions.
- Encouraging flexibility to preserve plans through changes in legislation and regulations.
- Addressing the impending insolvency crisis in the multiemployer insurance program.

Sponsoring a defined benefit plan requires plan sponsors to take on significant commitments to the long-term retirement security of their workforce. The costs of making long-term promises have grown in today's environment of low long-term interest rates. To encourage the continuation and financial stability of voluntary private pension plans, PBGC works toward maintaining a regulatory environment that serves the interest of all its stakeholders and avoids creating additional burdens on plans. PBGC also provides technical expertise to plan sponsors, the pension community, Congress and other stakeholders on ways to strengthen the system.

To protect the interests of plan participants and beneficiaries, PBGC monitors more than 1,500 companies to identify transactions and events that potentially pose a risk to the financial viability of single-employer plans. When appropriate, PBGC will work with plan sponsors to arrange agreements for suitable protections to safeguard benefits. These methods have proven beneficial and effective, and are a common practice in PBGC's efforts to protect and preserve plans. When necessary, PBGC will protect pension plans and plan participants by seeking relief in court.

Another component of protecting pensions is reducing the number of missing participants. Missing participants are those who cannot be located by their plan administrator when a plan is terminated and are owed money. PBGC currently administers a program that searches for missing participants in defined benefit plans and has proposed a regulation to expand the program to include missing participants in defined contribution plans. The expansion will strengthen the current program and enable PBGC to reunite more participants with their pensions.

PBGC projects that its multiemployer insurance program will run out of money by the end of 2025. While the majority of multiemployer plans are projected to remain solvent over the next 20 years, a core group of plans, covering more than 1 million participants, appear to be unable to raise sufficient contributions to avoid insolvency within that period.

PBGC will continue to use the tools available to improve the financial status of its multiemployer program. One of the most important things PBGC can do for participants is to ensure that options are evaluated to help improve the overall solvency of multiemployer plans, reducing the demands on PBGC's limited multiemployer fund. The Corporation will also strive to ensure that all stakeholders are aware of the value of its guarantee programs to the participants who are covered.

As it has in the past, the Corporation will serve as a resource to policy makers in the Administration and Congress as they consider changes to increase the revenue available to cover the financial obligations of the multiemployer program and other changes to stabilize the solvency, funding and benefit security of multiemployer plans. PBGC's work on implementing the Multiemployer Pension Reform Act of 2014

(MPRA) will continue, as well as its partnerships with the Administration, Congress, multiemployer plan sponsors and other stakeholders to find solutions and stabilize the multiemployer program.

Strategic Goal 1: Preserve Plans and Protect the Pensions of Covered Workers and Retirees	
Strategic Objectives	Performance Strategies
Encourage the continuation and maintenance of pension plans	<ul style="list-style-type: none">• Engage with employers, workers, and pension practitioners to encourage pension plan continuation and strengthen retirement security• Maintain a regulatory environment that serves the interests of stakeholders and avoids additional burdens on sponsoring plans
Protect workers and retirees when plans are at risk	<ul style="list-style-type: none">• Preserve plans during bankruptcy and other corporate transactions• Protect the retirement security of workers and pensioners and the interests of premium payers in federal courts
Address the impending insolvency crisis in the multiemployer insurance program	<ul style="list-style-type: none">• Research and forecast insurance program activities• Provide timely, concrete and practical guidance to plans on the implementation of mergers, partitions and alternate withdrawal liability proposals to reduce employer risk, while preserving plans and benefits• Provide technical assistance, analysis and options to policy makers and Congress to improve the financial stability of the multiemployer program• Continue to provide financial assistance to insolvent multiemployer plans
Reduce the number of Missing Participants	<ul style="list-style-type: none">• Reunite plan participants with their lost pensions

STRATEGIC GOAL 2: PAY PENSION BENEFITS ON TIME AND ACCURATELY

Protecting retiree income by paying benefits on time and accurately is both a statutory requirement and one of the fundamental reasons for PBGC's existence. To meet this requirement, PBGC will focus on the following:

- Providing exceptional customer service to pensioners.
- Ensuring regular monthly benefit payments continue without interruption.
- Providing accurate and timely benefit calculations subject to the limits set by law.

When a single-employer plan insured by PBGC terminates with insufficient funds to pay promised benefits, PBGC steps in as the plan's trustee to protect the retirement income of plan participants and beneficiaries. In doing so, the Corporation has enhanced the retirement security of workers, retirees and their families.

In FY 2016, PBGC paid \$5.7 billion in benefits to almost 840,000 retirees in more than 4,700 failed single-employer plans. An additional 560,000 participants are scheduled to receive benefits in the future. PBGC ensures that existing retirees in newly trustee plans will continue to receive retirement benefits without interruption. In addition, the Corporation will ensure that newly eligible retirees who apply for benefits receive them timely.

PBGC's commitment to paying retirees accurately and timely is validated by its customers. Since 2013, retirees have rated their satisfaction with the Corporation at 90 or above. The Corporation recognizes that even with those high satisfaction ratings, there are still challenges that lie ahead and room for improvement.

When PBGC becomes the trustee of a pension plan, a complex, detailed and multi-year process begins. PBGC is required to collect and analyze plan and participant data, value plan assets, and complete an actuarial valuation. These steps must be completed before the Corporation can provide participants with benefit determinations.

Between FY 2009 and FY 2012, PBGC experienced a surge in workload, with an average intake of 145 plans and over 100,000 new participants each year. This surge included some of the largest and most complex plans in terms of plan assets and benefit structures in PBGC's history. In FY 2016, the average time to provide a benefit determination reached 6.3 years, as the Corporation focused on its oldest, largest and most complex plans. With changes made over the last few years to both processes and organizational structure, the Corporation remains committed to improving the plan processing time.

Meanwhile, PBGC will continue to ensure a seamless transition of benefits to PBGC when a plan terminates, and will continue to place retirees and beneficiaries in estimated pay until a benefit determination is completed. Over the last six years, PBGC's benefit estimates remained within 10 percent of the final benefit amount 95 percent of the time.

Strategic Goal 2: Pay Pension Benefits on Time and Accurately	
Strategic Objectives	Performance Strategies
Promote exceptional customer service to pensioners	<ul style="list-style-type: none"> Maintain exemplary customer satisfaction ratings
Ensure regular monthly benefit payments continue without interruption	<ul style="list-style-type: none"> Continue uninterrupted benefit payments in newly trustee plans Process benefit applications timely
Provide accurate and timely benefit calculations	<ul style="list-style-type: none"> Improve the accuracy, timeliness, and completeness of benefit determinations Provide a timely and efficient appeals process for PBGC benefit determinations

STRATEGIC GOAL 3: MAINTAIN HIGH STANDARDS OF STEWARDSHIP AND ACCOUNTABILITY

PBGC is responsible for insuring the pensions of tens of millions of people, whose benefits are valued at hundreds of billions of dollars, while collecting over \$6 billion in premiums per year. The Corporation exercises care in the management of over \$100 billion in assets. The Corporation has attained 24 consecutive unmodified audit opinions on its financial statements. PBGC will continue to work in ways that maintain the trust of its customers and the public. PBGC remains committed by holding itself to the highest standards of service, professionalism, accountability, and ethics. This will be accomplished by:

- Providing exceptional customer service.
- Seeking opportunities to improve PBGC's finances.
- Maintaining a high performance workforce.
- Maintaining effective Information Technology (IT) and Security Programs.

PBGC's first priority is its customers. Whether it is a participant in a pension plan PBGC insures, a plan sponsor, or a partner in the pension community, PBGC actively and continuously solicits customer feedback. Generally, customer satisfaction among the Corporation's seven customer surveys is good, with some groups rating PBGC higher than others. Using comments generated from customer surveys, PBGC is actively working toward improving or increasing the level of services and resources it offers to its customers.

To effectively serve its customer base, PBGC's finances must be sound. To support PBGC's work to improve the financial condition of both the single-employer and multiemployer programs, the Corporation will continue to diligently collect premiums, efficiently assume the assets of terminated plans, invest assets prudently, follow internal controls and monitor risks. The Corporation will work to prevent, detect and recover improper payments.

PBGC recognizes that it must invest in human capital in order to serve its customers and achieve its mission. PBGC maintains a core multidisciplinary workforce of just under 1,000 federal employees and a comparable number of contractors to respond to the anticipated base level of long-term operations. To execute its work at the highest level, it is important for PBGC to seek skilled professionals, often in competitive career fields, by recruiting candidates from all segments of American society. The Corporation believes that this approach will result in a diversified, high performing, engaged and valued workforce.

PBGC employees utilize technology and other resources to execute their assigned duties and responsibilities. As IT capabilities evolve, PBGC anticipates delivering modernized IT resources to support business operations, while effectively maintaining an adequate level of security to protect the privacy of its customers, employees and contractors. PBGC's Office of Information Technology leverages technology architectures to improve the Federal Information Security Management Act (FISMA) compliance and maximize federal strategies and priorities for a digital government. PBGC's suite of IT tools capitalize on a cost-effective mix of cloud technologies, shared services and internal solutions that adhere to other government-wide standardized policies and procedures. These tools will allow PBGC to meet or exceed goals, objectives and performance measures.

Strategic Goal 3: Maintain High Standards of Stewardship and Accountability	
Strategic Objectives	Performance Strategies
Provide exceptional customer service	<ul style="list-style-type: none">Maintain exemplary customer satisfaction ratings
Meet or exceed the financial and ethical standards that apply to PBGC as a major financial and government institution, and monitor cash flows	<ul style="list-style-type: none">Manage investments prudently and consistent with investment policyCollect insurance premiums dueContinue to monitor the efficient use of PBGC's cash flows
Maintain effective IT Security	<ul style="list-style-type: none">Maintain adequate IT security posture based on FISMA guidance and as measured by FISMA metrics
Maintain a high performing workforce	<ul style="list-style-type: none">Retain and train a high-quality multidisciplinary workforceImplement succession planning and workforce management activitiesSupport supervisors and managers on managing employee performance

Encourage and support a diverse and inclusive work environment that encourages employee engagement	<ul style="list-style-type: none"> ● Foster a diverse, high-performing workforce drawn from all segments of American society ● Foster a culture of inclusion that encourages collaboration, flexibility and fairness
Strengthen enterprise risk management	<ul style="list-style-type: none"> ● Implement enterprise risk management strategies
Strengthen transparency, disclosure and communication	<ul style="list-style-type: none"> ● Provide effective and timely communication with plan participants and other stakeholders ● Inform stakeholders about provisions of key legislative and regulatory proposals
Strengthen contract oversight	<ul style="list-style-type: none"> ● Implement a plan to improve contract oversight