



Highlights of [GAO-10-181T](#), a testimony before the Committee on Health, Education, Labor, and Pensions, U.S. Senate

Why GAO Did This Study

Under the single-employer insurance program, the Pension Benefit Guaranty Corporation (PBGC) may become the trustee of underfunded plans that are terminated and assume responsibility for paying benefits to participants as they become due, up to certain legal limits. From its inception in 1974 through the end of fiscal year 2008, PBGC has terminated and trusteeed a total of 3,860 single-employer plans covering some 1.2 million workers and retirees. Since 2008, the economic downturn has brought a new influx of pension plan terminations to PBGC, and more are expected to follow.

The committee asked GAO to discuss our recent work on PBGC. Specifically, this testimony describes: (1) PBGC's process for determining the amount of benefits to be paid; and (2) PBGC's recoupment process when the estimated benefit provided is too high and a retiree receives an overpayment that must be repaid.

To address these objectives, GAO relied primarily on a recent report titled *Pension Benefit Guaranty Corporation: More Strategic Approach Needed for Processing Complex Plans Prone to Delays and Overpayments* (GAO-09-716, Aug. 2009). In that report, GAO made numerous recommendations. PBGC generally agreed and is taking steps to address the concerns raised. No new recommendations are being made in this testimony.

View [GAO-10-181T](#) or key components. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

PENSION BENEFIT GUARANTY CORPORATION

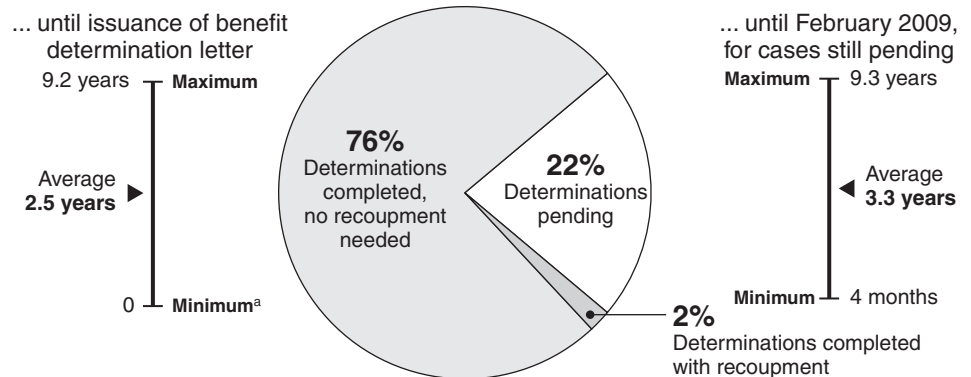
Workers and Retirees Experience Delays and Uncertainty when Underfunded Plans Are Terminated

What GAO Found

Most participants must wait about 3 years for PBGC to complete the benefit determination process and provide their finalized benefit amounts, but the vast majority are not affected by overpayments or the recoupment process (see figure). Nevertheless, long delays and uncertainty over final benefit amounts make it difficult for workers to plan for retirement, and for retirees who may have come to depend on a certain level of monthly income.

PBGC Processing Time

Time elapsed from trusteeship ...



Source: GAO analysis of PBGC data on the participants in plans terminated and trusteeed, fiscal years 2000 through 2008.

^aIn two atypical cases, PBGC made benefit determinations prior to trusteeship.

During the benefit determination process, key points of contact with workers and retirees include:

- **Initial notification:** PBGC's first communication with participants is generally a letter informing them that their pension plan has been terminated and that PBGC has become the plan trustee.
- **Estimated benefits:** For retirees, PBGC continues payments after plan termination, but adjusts the amounts to reflect limits set by law. These payments are based on estimates, so overpayments can occur.
- **Finalized benefit amounts:** Once the benefit determination process is complete, PBGC notifies each participant of the final benefit amount through a "benefit determination letter."

A small percentage of participants have incurred overpayments to be repaid through the recoupment process. But for those affected, the news can still come as a shock, especially when several years have elapsed since their benefits were reduced to comply with legal limits. Their frustration may be compounded if they cannot understand the explanations provided by PBGC. As the influx of large, complex plan terminations continues, improvements in PBGC's processes are urgently needed.