



Pension Benefit Guaranty Corporation  
*Office of Inspector General*  
Evaluation Report

**The Length Of Time  
It Has Taken PBGC To Issue  
Initial Determination Letters**

**March 2, 1999**

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## **Tab I Agency Comments**

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## **Abbreviations**

AVCD	Actuarial Valuation Completion Date
DOPT	Date of Plan Termination
DOTR	Date of Trusteeship
ERISA	Employee Retirement Income Security Act of 1974
FY	Fiscal Year
IDL	Initial Determination Letter
IPS	Image Processing System
IOD	Insurance Operations Department
PBGC	Pension Benefit Guaranty Corporation
PRISM	Participant Record Information System Management



March 2, 1999

The Honorable Charles E. Grassley  
Chairman  
Special Committee on Aging  
United States Senate  
Washington, DC 20510-6400

This letter responds to your request that we conduct a multi-year review of the length of time that it takes the Pension Benefit Guaranty Corporation (PBGC) to issue initial determination letters (IDLs)<sup>1</sup> to participants in terminated pension plans. Appendices I and II contain graphic presentations showing the elapsed time from two different processing events leading to the issuance of IDLs.

## **RESULTS**

We selected a sample of 60 terminated pension plans which represents approximately 96,000 participants and approximately 87,000 IDLs. We asked PBGC to provide certain plan and participant information for our sample. In addition, we requested PBGC to provide an assertion of data reliability. We received the requested data from PBGC without a data reliability assertion.

Using the sample data provided by PBGC, we selected the Date of Trusteeship (DOTR) and the Actuarial Valuation Completion Date (AVCD) to calculate historical average lengths of time taken by PBGC to issue IDLs to participants. The DOTR was selected because PBGC uses this date to calculate and subsequently report the average length of time it takes to issue IDLs to participants.<sup>2</sup> The AVCD date was selected because at this point in the benefit determination process the analysis of participant information has been completed, and each participant's final benefit amount has been determined.

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<sup>1</sup> An IDL is notification from the agency on the decision regarding entitlement to a benefit, amount of the benefit, and other conditions of the benefit. Early IDLs are issued before completion of the final valuation to participants, for example, those who have been in pay status for five years or more as of the date of plan termination (DOPT).

<sup>2</sup> One of PBGC's performance outcomes is to provide accurate IDLs to participants within 3-5 years of plan trusteeship. In order to measure performance against the goal, PBGC has begun publishing statistics regarding timeliness of IDL issuance. The published length of time is expressed in terms of a Fiscal Year (FY) average. The FY average is calculated by summing the length of time elapsed between DOTR and date of issuance for all IDLs issued during the particular FY. The resulting total is then divided by the number of IDLs issued for the FY.

To respond to your request, we compared IDL issuance dates against the DOTR and the AVCD dates and, from this information, we constructed an aging analysis that yielded the following historical information. The data, drawn from the sample of 60 plans that included approximately 87,000 IDLs, showed:

- A majority of IDLs were issued more than five years after DOTR. For example,
  - 26% were issued between 2 and 5 years;
  - 42% were issued between 6 and 10 years; and
  - 16% were issued between 11 and 20 years (see Appendix I).
- A majority of IDLs were issued more than one year after the AVCD. For example,
  - 26% were issued within 1 year;
  - 29% were issued between 2-3 years; and
  - 17% were issued between 4-6 years (see Appendix II).

## **BACKGROUND**

The PBGC was established by the Employee Retirement Income Security Act of 1974 (ERISA) to ensure that participants in private sector defined benefit plans receive their pensions even if their plans terminate without sufficient assets to pay promised benefits. Separate insurance programs protect participants in single-employer and multiemployer pension plans. The Insurance Operations Department (IOD) is assigned program responsibility for the processing of pension plan terminations and benefit determinations.

At September 30, 1998, PBGC was trustee, or in the process of becoming trustee, of 2,665 terminated pension plans. One of PBGC's responsibilities under ERISA is to ensure the uninterrupted payment of pension benefits to plan participants. PBGC calculates the actual benefit to be paid to each participant according to the specific terms of the participant's plan, statutory guarantee levels, and the funds available from plan assets and employer recoveries. PBGC uses the IDL to notify participants of an official decision regarding entitlement to, amount, and other conditions of a benefit.

The criteria applicable to IDLs is in the Code of Federal Regulations, Title 29, Part 4003, which defines initial determinations made by PBGC, describes the form and content of initial determinations, and establishes the rules for administrative review. IOD's Procedures Manual addresses notification to the participants regarding the benefit and other factors in the calculation of the benefit. In FY 1998, PBGC disbursed approximately \$848 million in monthly pension and lump sum benefit payments to retired plan participants or their beneficiaries. The amounts paid have increased from approximately \$66 million disbursed during FY 1980.

## **OBJECTIVE AND SCOPE**

The review objective was to determine the length of time it has taken PBGC to

issue an IDL. To accomplish our objective, we selected a sample of 60 plans from a population of 1,715 plans which had been terminated and trusted by PBGC and for which IDLs had been issued. From the sample of 60 plans, we identified from PBGC's electronic records that approximately 87,000 IDLs had been issued. Plans that had issued early IDLs and plans that had not yet completed the benefit determination process were not included in the sample population.

The universe of the plans' DOTRs ranged from 1974 through 1996, a span of 22 years. In addition, the sample included various size plans -- the smallest plan had 8 participants while the largest plan had more than 20,000 participants. The sample was stratified to contain all plans with a participant/beneficiary count greater than 5,000 (8 of the 60). The remaining 52 plans were selected randomly. According to PBGC's records, most of the plans in the sample had completed the case closure process.<sup>3</sup>

We did not perform any detailed testing of balances, transactions, procedures, or internal controls as part of this review. We did not perform any control testing of PBGC electronic data processing systems from which IDL information was extracted. Deloitte & Touche LLP was engaged by the PBGC Office of Inspector General to assist in reviewing the data provided by PBGC.

#### **DATA RELIABILITY**

We selected a sample of 60 terminated pension plans representing approximately 87,000 IDLs. PBGC was asked to provide certain plan and participant information about the sample and to provide an assertion of reliability for that data. We received the requested data from PBGC without a reliability assertion. PBGC cited the age of the data and the lack of control over data input as reasons for not providing a reliability assertion.

From our review, we identified problems pertaining to participants' IDL data maintained on two PBGC information systems -- the Participant Record Information System (PRISM) and the Image Processing System (IPS).<sup>4</sup> PBGC uses information from PRISM for a variety of operational purposes, i.e., to pay benefits, to answer participants' questions about their benefit calculations, and to determine budgetary requirements. Specifically, we identified from sample data that PRISM contained duplicate, incomplete and erroneous data. For example, we compared individual IDL dates in PRISM to the IDL dates in source documents maintained in IPS. Our testing results showed that imaged documents for 59 out of 177 IDLs (33%) were missing in IPS and could not be located by PBGC. Another test revealed that the date recorded in PRISM differed from the actual date printed on the IDL sent to participants in 37 out of 177 instances (21%).

In addition, we tested 25 of the 60 plans to determine the accuracy of the DOTR and AVCD dates recorded in PBGC databases. We compared the dates provided by PBGC to applicable source documents. For the 25 plans, the DOTR agreed to the source documentation without exception. However, for the AVCD, only nine dates agreed with the supporting documentation.

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<sup>3</sup> The case closure process is to ensure that the required benefit determination processes have been completed: i.e., that all locatable participants have received correct IDLs, that eligible participants are receiving or will receive benefits, and that plan and participant files are in a condition that facilitates benefit administration. A close-out group performs a statistical sample review to ensure that the required actions have been completed. The ongoing administration of the plan is then passed to a contractor who manages the plan under PBGC direction.

<sup>4</sup> IPS is an electronic equivalent of the paper systems traditionally used by PBGC and was implemented to provide an electronic alternative for document archival and retrieval.

## SUGGESTION FOR IMPROVEMENT

For several years, PBGC has had a data clean-up initiative to restore data reliability to participant databases. It appears that this initiative will require more implementation time before data can be deemed reliable. With the difficulties we experienced in working with IDL data, we suggest that PBGC should improve its IDL data reliability by conducting a self-review of its processing controls for capturing, maintaining, and reporting IDL data and, where applicable, redirect the data clean-up initiative to address identified data reliability issues. The Office of Inspector General intends to monitor and report on the progress of PBGC actions.

## AGENCY COMMENTS AND OIG EVALUATION

Although the Report contains no findings or recommendations, a draft of the Report was provided to the agency for comment. We met with several PBGC officials to discuss the Report's contents. Subsequently, we made clarifications to the Report in response to PBGC's concerns, as appropriate.

We have reviewed PBGC's comments. PBGC did not disagree with the Report's content. PBGC's response included a narrative of its benefit calculation process and a summary of its improvements that have taken place since 1993. As we have not audited PBGC's representations in its response, we cannot comment on the veracity of their statements.

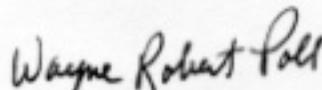
In general, PBGC has made certain representations regarding its informational systems -- PRISM, CASR and IPS. For example, PBGC cited PRISM's ability to account for IDLs and to provide for accurate benefit payments. However, our *Report on Internal Controls* from the 1998 Financial Statement Audit (99-7/23132-2), conducted by PricewaterhouseCoopers LLP, identified areas where controls could be strengthened to reduce risks associated with the benefit payment process and participant record integrity. This report is available upon request.

The full text of PBGC's comments are attached to this report at Tab I.

This Report is one of four issued by the OIG in response to questions posed by Senator Grassley concerning PBGC's issuance of IDLs:

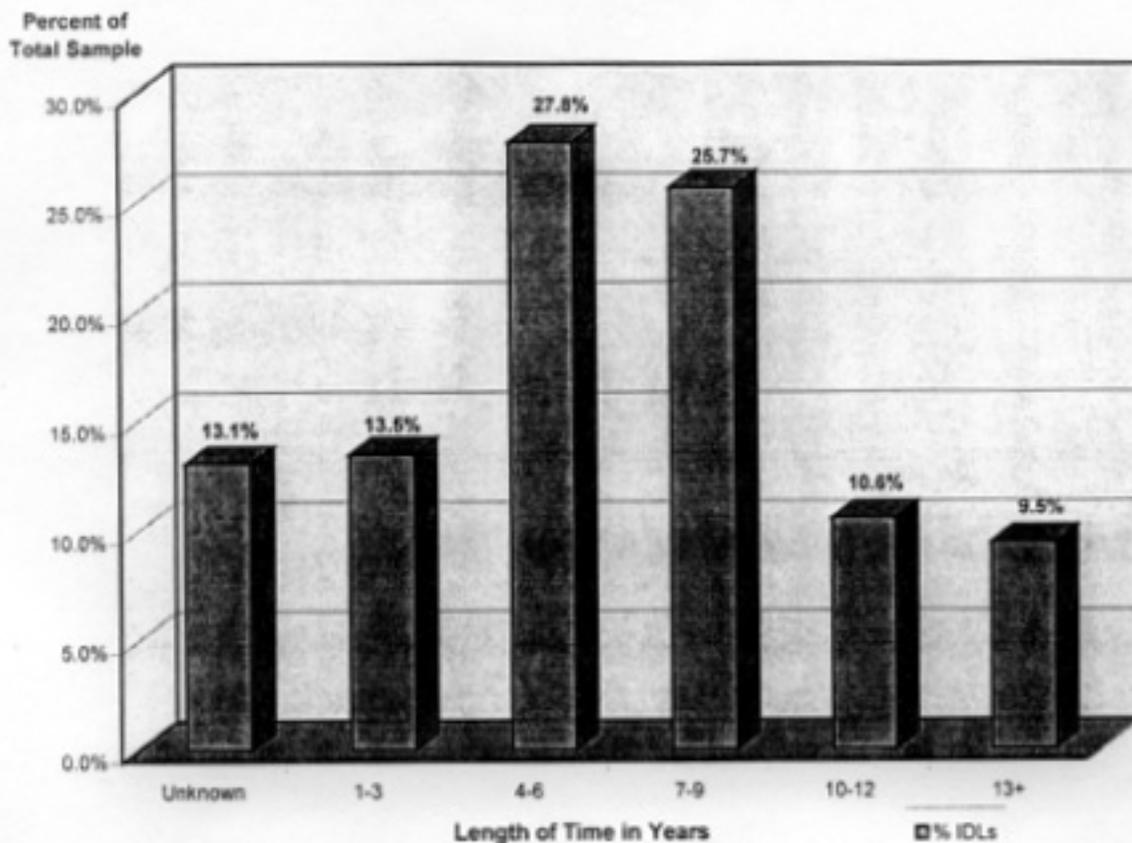
- *Improvements Are Needed To Achieve Better Efficiency and Effectiveness in PBGC's Benefit Determination Process* (OIG Report 99-2/23128-1);
- *The Length of Time It Has Taken PBGC To Issue Initial Determination Letters* (99-3/23128-2);
- *Pension Plan Participants Impacted By Delays In Initial Determination Letter Issuance* (OIG Report 99-1/23128-3); and
- *Audit of PBGC's Response To Certain Questions Concerning Appeals of PBGC Initial Determinations of Pension Benefits* (OIG Report 98-10/23131).

If you have any questions concerning this letter report, please contact me at (202) 326-4030.



Wayne Robert Poll  
Inspector General

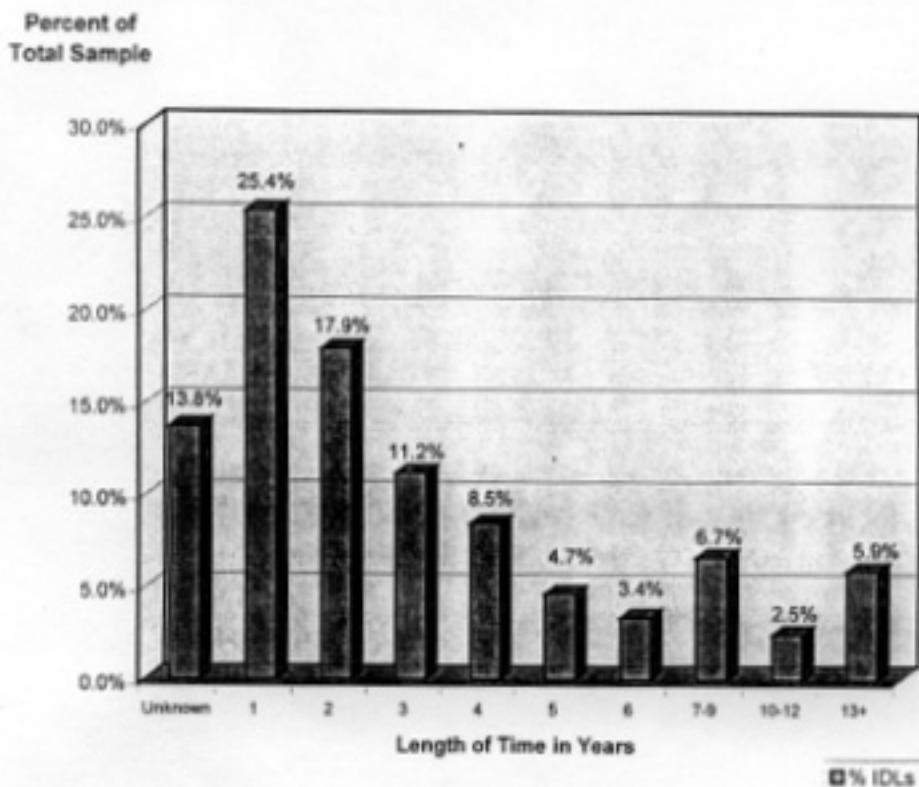
Average Elapsed Time From Date of Trusteeship  
to Issuance of Initial Determination Letters



This graph presents our aging analysis of approximately 87,000 IDLs for the 60 plans contained in our sample. We measured the average elapsed time from Date of Trusteeship (DOTR) to Initial Determination Letter (IDL) issuance. The DOTR was selected because it is the date PBGC uses to calculate and subsequently report the average length of time it takes to issue IDLs to participants. The unknown column of 13.1% depicts IDLs for which PBGC substituted the DOTR for the IDL issuance date because PBGC did not originally capture the IDL date. The other columns show the percentage of IDLs from our sample and the elapsed time in years. For example, the fourth column shows that 25.7% of IDLs from the sample were issued between 7 to 9 years from DOTR.

The graph above is based on information provided by PBGC. Using sampling, we were unable to determine data reliability, and PBGC was unwilling to provide a data reliability assertion.

Average Elapsed Time From the Actuarial Valuation Completion Date  
to Issuance of Initial Determination Letters



This graph presents our aging analysis of approximately 87,000 IDLs for the 60 plans contained in our sample. We measured the average elapsed time from Actuarial Valuation Completion Date (AVCD) to Initial Determination Letter (IDL) issuance. The AVCD was selected because at this point the final analysis of all information collected during the benefit determination process has been completed and each participant's final benefit amount has been determined. The 13.8% unknown column depicts IDLs for which PBGC substituted the DOTR for the IDL issuance date because PBGC did not originally capture the IDL date. The other columns show the percentage of IDLs from our sample and the elapsed time in years. For example, the fifth column shows that 8.5% of IDLs from the sample were issued 4 years after AVCD.

The graph above is based on information provided by PBGC. Using sampling, we were unable to determine data reliability, and PBGC was unwilling to provide a data reliability assertion.



Pension Benefit Guaranty Corporation  
1200 K Street, N.W., Washington, D.C. 20005-4026

DATE: FEB 1 1999

TO: Wayne Robert Poll  
Inspector General

FROM: Joseph H. Grant  
Deputy Executive Director  
and Chief Operating Officer

SUBJECT: Draft Evaluation Report: The Length Of Time It Has Taken PBGC To Issue  
Initial Determination Letters (99-3/23128-2)

I write to provide PBGC's comments on the January 8, 1999, draft report to Senator Charles E. Grassley concerning "the length of time that it takes the Pension Benefit Guaranty Corporation (PBGC) to issue initial determination letters (IDLs) to participants in terminated pension plans." We appreciate the opportunity to provide comments.

Your report is based on a review of 60 plans trusted by PBGC from 1976 through 1991. Your report makes three basic points:

- The majority of IDLs were issued more than five years after the date PBGC trusted a plan;
- The majority of IDLs were issued more than a year after the date PBGC completed its calculation of participant's benefits;
- PBGC could not give a "data reliability assertion" with respect to these plans.

We do not disagree with your points. In fact, they dramatically underscore the processing deficiencies at PBGC at the time we began to make major management improvements in 1993.

However, these 60 plans do not reflect the processing improvements implemented since 1993 and are not representative of the way we process cases today. They represent plans trusteeed from 1976 through 1991 (see table below).<sup>1</sup> PBGC became trustee of all 60 plans well before we introduced any of the new processing initiatives beginning in 1993. As a result of changes we have implemented since 1993, we have greatly improved our operations and shortened the time it takes to issue IDLs. Recent statistics bear this out.

- With respect to plan processing:
  - We issued all IDLs for all but one plan trusteeed prior to FY 1991.
  - We increased the number of IDLs issued from about 20,000 in 1993 to more than 60,000 in each year since 1995.
  - We reduced our inventory of unissued IDLs from 300,000 in 1993 to 200,000 today.
  - The average age of our current inventory of unissued IDLs is 3.2 years.
- With respect to timely issuance of IDLs after completion of valuation, we have issued approximately 90 percent of the IDLs for plans that we valued in 1997. This shows great improvement compared to the cases you reviewed in your report, where PBGC had issued a majority of the IDLs more than one year after completing the valuation.

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<sup>1</sup>This table shows the trusteeship dates by fiscal year for the 60 plans in the OIG sample.

Trusteed	Plans	Trusteed	Plans	Trusteed	Plans
1976	3	1982	4	1988	5
1977	1	1983	4	1989	0
1978	5	1984	3	1990	2
1979	1	1985	5	1991	5
1980	5	1986	7	TOTAL	60
1981	7	1987	3		

- With respect to the lack of fully verifiable data, we have completely reworked our data processing operations bringing on-line several major systems, including the Case Administration System ("CASR," a database management tool for processing plan termination activity), the Image Processing System ("IPS," a computer-imaging system for PBGC's plan and participant records), and the Participant Records Information Systems Management ("PRISM", which provides PBGC with its first true participant database) to assure that data is accurate and retrievable. With these new systems, we are assured that the data for new plans taken over by PBGC is accurate. Our inability to provide a "data reliability assertion" with respect to the 60 old plans was limited to non-financial participant data that did not affect the amount of benefit payments. We are confident in the accuracy of the data affecting benefit payments. We are taking reasonable steps to identify and correct non-financial data where this would be helpful for management initiatives or for improving customer service. Specifically,
  - Our redesigned Case Administration System (CASR), which came on-line in FY 1995, allows us to monitor progress of all cases throughout the claim process.
  - The new Image Processing System (IPS) became effective in FY 1997. IPS assures that we have copies of all IDLs and participant records.
  - With the establishment of PRISM in FY 1997 and related data clean-up efforts, we are now able to track our inventory of IDLs.

To appreciate the significance of PBGC's efforts, you must appreciate the complexity and enormity of the task PBGC has faced. Taking over a plan, gathering documents and data, performing benefit calculations, and issuing IDLs is inherently complex and time consuming. With the agency's focus on a growing deficit during the 1980s and the sudden influx of bankruptcy cases in major industries such as airlines in the early 1990s, we found that the agency was not promptly trusteeing plans whose sponsors had failed years before; and it was still processing plans that it had taken in over 20 years ago. In many years, the number of IDLs issued was far less than the number of new participants taken in by PBGC.

To address these problems, in 1993 we began an intensive management focus on shortening processing time frames to improve our internal operations and to minimize any adverse impact on participants. What follows is a description of some of the most important processing improvements implemented since 1993. Also for your reference, we attached an addendum describing the steps that must be taken to process a plan and issue an IDL.

## I. PBGC Improvements Since 1993

As a new PBGC management team reviewed the Corporation's operations in 1993, it realized that there were many challenges with the way PBGC was processing cases -- including the problems identified in your report. In the early years of PBGC's existence, IDLs were not a high priority and were generally issued ad hoc at the time a participant became eligible for retirement benefits. Management in 1993 recognized that IDLs were an important "product" and that PBGC's operations should be overhauled and redesigned to ensure that IDLs were quickly and accurately issued.

To address these problems, PBGC's management team initiated a complete operational overhaul in 1993. The challenge in this overhaul was to find ways to issue IDLs as quickly as possible within the complex legal and operational requirements of Title IV of ERISA.

One of the most important changes was the reorganization of PBGC's Insurance Operations Department. The reorganization introduced team case processing, where auditors, actuaries, pension administrators, and attorneys are asked to work as a team to process cases. This decision replaced sequential case processing, and avoided delays caused by handing off work from one employee to another. Team case processing is especially appropriate and advantageous for the type of work we do because it enables tasks to proceed simultaneously on numerous related processing steps.

We developed new computer systems along with the implementation of team processing to support the benefit calculation process. For example, our new document imaging system allows us to instantly access participants' records rather than having to wait for a file to be retrieved from another staff person's desk or a remote file room.

We also recognized the need for a true participant database to provide reliable data for non-financial matters such as measuring Corporate performance and improving internal controls. PBGC began to build PRISM, PBGC's first true participant database. PRISM became operational in the fall of 1997. Prior to PRISM, PBGC was able to account for monthly benefit payments through the PLUS payroll tracking system at State Street Bank. However, because of inherent limitations in this system, PBGC was not able to precisely track its inventory of IDLs and, therefore, could not properly monitor the issuance of IDLs. When PRISM was brought on line in 1997, the incomplete IDL data from PLUS was necessarily transferred from the PLUS system to PRISM. This is why PBGC was not able to provide a data reliability assertion with respect to the IDL issuance data for the 60 plans reviewed in your report.

PRISM includes data elements needed for paying benefits as well as other data useful for managing IOD's operations. While some of the data transferred from the prior system is not reliable for certain management recordkeeping purposes, the data is accurate and reliable for

benefit payments. This part of our system has been audited and our financial statements have received clean opinions for the past four years. We are confident that participants have and will continue to receive accurate benefit payments.

We are working to improve the reliability of the data transferred to PRISM and we have made good progress. We will continue to monitor this progress closely. While we will continue to take reasonable steps to enhance the accuracy of the older management information participant count, we are now confident of the reliability of our current IDL issuance data.

PBGC has been diligent in identifying opportunities to issue IDLs more quickly. For example, in recent years we initiated a number of projects targeting our backlog of unissued IDLs. Also, under a new policy issued in 1998, IDLs are issued early to participants who have been receiving benefits for at least one year where there is little risk that the benefit is incorrect. Similarly, in 1998, we issued a new policy to streamline our procedures for estimating recoveries from employers for plan underfunding, which will enable IDLs to be issued more quickly. We are also working towards improving our ability to provide estimated benefits to all participants who have not yet reached retirement age, which will directly address their retirement planning needs.

PBGC also bolstered its strategic planning effort. Senior management has developed overall corporate goals and objectives, and monitors progress towards those objectives. As you are aware, the centerpiece of this strategy is to achieve the goal by the year 2002 of issuing IDLs within 3 to 5 years after PBGC takes over a plan. Because of the importance of IDL processing under our strategic plan, PBGC has devoted more resources for this purpose in recent years.

As a result of our efforts, we have made significant improvements in IDL production. In 1993 and 1994 PBGC issued 20,587 and 25,557 IDLs respectively. We then issued 65,191 IDLs in 1995, 65,978 in 1996, 69,011 in 1997, and 61,104 in 1998. We have completed processing and issued all IDLs for all but one plan trustee before FY 1991. We not only expect to achieve our goal of 3 to 5 year processing by the year 2002, but we are becoming increasingly confident that we will achieve it even sooner.

Additional evidence of our progress is that the total number of unissued IDLs has been reduced from about 300,000 in 1993 to about 200,000 today. The average age of our inventory of unissued IDLs is 3.2 years.

Finally, we have reduced the backlog of plans awaiting trusteeship. The number of plans awaiting PBGC termination and trusteeship analysis had been growing through 1993. PBGC management recognized in 1993 that delays in completing trusteeship activity both adversely affected plan participants and complicated PBGC case processing because of, for example, deteriorating plan and participant records. As a result, PBGC initiated a number of changes to

improve the way it trusteeed plans. Prior to 1993, PBGC generally trusteeed 80 to 100 plans per year. As a result of new processing initiatives, PBGC trusteeed 106 plans in FY 1994, 136 plans in FY 1995, 234 plans in FY 1996, 197 plans in FY 1997, and 184 plans in FY 1998.

Despite the progress we have made toward more rapid plan processing and timely issuance of IDLs, we remain concerned about the impact it has on participants. We recognize that even 3 to 5 year processing represents a long period of uncertainty for participants. To better address their needs, we have taken numerous steps to improve our customer service and communicate with our participants. These steps include:

- establishing a new customer service center and giving participants a toll-free 1-800 number;
- building an internet website to provide on-line participant information and help locate missing participants;
- setting new customer service standards (see attachment); and
- sending periodic information to both retired and deferred vested participants.

In addition, the Executive Director is taking a direct role in regularly meeting with thousands of participants in plans recently taken over by PBGC.

We are also considering further steps to shorten the time it takes to issue IDLs. PBGC has identified various changes to Title IV of ERISA that would enable IDLs to be issued more quickly. We are available to discuss these suggestions.

## II. Conclusion

PBGC agrees with the OIG that historic processing times were too long and that the process lacked sufficient controls and management information. PBGC management, as demonstrated by the initiatives described above, is committed to issuing IDLs as quickly as possible and to providing the best possible service to participants. We have made significant

Wayne Robert Poll

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progress, and we will continue through our strategic planning process to systematically look for opportunities to improve our operations.

PBGC management remains available for further discussions with you on this matter.

#### Attachments

Customer Service Standards

Addendum: The Benefit Calculation Process

## Addendum: The Benefit Calculation Process

For years, PBGC's foremost objective when taking over a troubled pension plan has been to ensure that there is no interruption in benefit payments to plan participants. After we become the plan trustee, retirees continue to be paid and participants who reach retirement age will begin receiving benefits on time. The amount of these payments, however, is only an estimate because, at the time PBGC takes over the plan, we are not able to immediately verify all the plan records and participant data needed to calculate final benefits. Once the PBGC completes the benefit calculation, an "IDL" is issued to inform each participant of the amount of the benefit, and of any adjustments required due to differences between the final benefit and the estimated benefit.

Plans taken over by PBGC invariably involve companies that have been financially troubled for many years. These companies have often filed for bankruptcy or have ceased operations altogether. Because of financial pressures, companies have usually neglected the financial condition of their pension plans, failed to keep the plans amended to conform to changes in the law, and allowed their pension records to deteriorate.

Once PBGC becomes trustee of a plan, it must collect or reconstruct and verify all of the records necessary to calculate benefits. For example, PBGC must find every plan document and plan amendment that impacts on the benefit calculation. In certain cases, Title IV of ERISA requires PBGC to attempt to find every plan document that has been in effect over the past 30 years. Where plan records cannot be found, or where the plan has not been kept up to date, PBGC must reconstruct plan provisions by reviewing the plan's operational history, and apply new pension provisions required by recent changes in the law.

PBGC must also collect or reconstruct and verify all of the data for each of the plan participants. This includes, for example, records on wage history, work history, and personal data such as age and marital status. Where this is not readily available, PBGC must reconstruct the data from secondary sources, such as Social Security.

PBGC must also take custody of the remaining plan assets. In many cases, these assets are difficult to locate. In other cases the assets are tied up in illiquid investments or have been improperly transferred to the failing employer in the form of a loan which is no longer collectible. PBGC must locate assets, unwind poor investments, and account for the plan assets because the amount of plan assets often affects the amount of the participants' benefits.

Finally, in many cases the amount of the benefit depends upon how much PBGC expects to collect from the plan sponsor and related companies. Plan sponsors are liable to PBGC for the plan's funding shortfall. PBGC must perform a financial analysis of the sponsor and related companies and estimate the amount expected to be recovered. Where there are uncertainties, such an estimate might have to be delayed until such uncertainties can be resolved. Additional delays arise when the amount to be recovered depends upon the outcome of bankruptcy or other litigation to collect liabilities owed to PBGC.

Only after the steps described above have been completed does PBGC have sufficient information to complete the calculation of final benefits. This calculation involves interpreting the plan's benefit provisions and adjusting them as required by Title IV of ERISA.

The benefit structure of a defined benefit plans is often quite complex. They usually have numerous benefit formulas to accommodate different employee groups and retirement options, such as different annuity forms, beneficiary designations, and early retirement alternatives. Companies commonly add benefit formulas as they change their business goals or negotiate labor agreements. Additional benefit options might also have to be considered where, for example, a plan has merged with another plan in connection with past corporate mergers or other restructurings. Since pension law generally requires that benefit options cannot be eliminated, PBGC must consider all of these benefit options in order to perform the benefit calculation leading to an IDL.

PBGC also must factor in the requirements and benefit guarantee limits of Title IV of ERISA. For example, in many cases Title IV requires numerous adjustments to a participant's benefits based on the allocation of remaining plan assets among various categories of participants and the impact of estimated recoveries from the employer. Where the plan has not been amended to keep it up to date (as is usually the case with troubled plans), PBGC must also reconstruct or add appropriate plan provisions.

## OUR SERVICE PLEDGE

Our customers deserve our best effort as well as our respect and courtesy.

With only one call from you, we will say

- what we can do immediately and what will take longer
- when it will be done, and
- who will handle your request

We will call you if anything changes from what we first told you, give you a status report and explain what will happen next

We will have staff available from 8:00 a.m. - 5:00 p.m. EST, to answer your calls. If you leave a message, we will return your call within one workday.

We will acknowledge your letters within one week of receipt.