



Pension Benefit Guaranty Corporation

Office of Inspector General
1200 K Street, N.W., Washington, D.C. 20005-4026

February 6, 2013

The Honorable George Miller
U. S. House of Representatives
Ranking Member, Committee on Education and the Workforce
2205 Rayburn House Office Building
Washington, DC 20515

Re: OIG Review of PBGC's Revaluation of Certain UAL Pension Plan Assets

Dear Representative Miller:

I am writing to provide our conclusions on my office's work regarding Pension Benefit Guaranty Corporation's (PBGC) actions to value assets that the Corporation received when certain United Airlines (UAL) pension plans were terminated. Using a dollar unit sampling methodology, my office tested a sample of 105 assets to determine whether the asset value was supported by sufficient, competent, and reliable evidence; whether mathematical calculations supporting the asset value were accurate; and whether the asset had been valued using a generally accepted methodology. Our testing addressed \$6 billion of approximately \$21 billion assets. For the assets we tested, we concluded that PBGC's latest contractor had properly valued the assets at the fair market value at the date of plan termination. My office did not test all assets, therefore, we provide no assurance on non-tested assets; however, the Office of Inspector General (OIG) did not identify any information that would lead us to question the valuation for the items we did not test.

Though we were able to test and validate a significant portion of PBGC's most recent asset valuation for UAL plans, we continue to have concerns regarding PBGC oversight of contractor operations and the compliance with contract requirements. As you know, the efforts of an international Certified Public Accounting (CPA) firm represented PBGC's third attempt to determine the fair market value of UAL plan assets. As the result of numerous meetings between OIG, PBGC and the CPA firm, OIG gained a sufficient understanding of the contractor's methodology and identified applicable supporting documentation to enable us to perform tests and reach a conclusion regarding the asset valuations sampled. However, we believe that PBGC received, reviewed and accepted reports and work that did not fully comply with contract requirements. Problems with contractor oversight and acceptance of deliverables which do not meet contract terms are a reoccurring issue with PBGC.

If you have any questions please contact me at (202) 326-4000 ext. 3437, or have a member of your staff contact Deborah Stover-Springer, Deputy Inspector General, at (202) 326-4000 ext. 3877.

Sincerely,

Rebecca Anne Batts
Inspector General