



Testimony for the
Special Committee on Aging
U.S. Senate

For Release at 2:00 PM EST
Wednesday May 20, 2009

No Guarantees: As Pension Plans Crumble, can PBGC Deliver?

Testimony of

Rebecca Anne Batts

Inspector General
Pension Benefit Guaranty Corporation

May 20, 2009

Testimony of Rebecca Anne Batts
Inspector General
Pension Benefit Guaranty Corporation – Office of Inspector General
Special Committee on Aging
United States Senate
May 20, 2009

Good afternoon Chairman Kohl, Ranking Member Martinez, and other Committee Members. My name is Rebecca Anne Batts and I am the Inspector General of the Pension Benefit Guaranty Corporation (PBGC), Office of Inspector General (OIG).

Thank you for the opportunity to testify today about the challenges that the Pension Benefit Guaranty Corporation (PBGC) is facing. These challenges affect important functions of the Corporation. On one hand, PBGC and its Board must deal with the need to make decisions about how to implement PBGC's investment policy, to include the possibility that certain decisions may need to be reconsidered. Additionally, PBGC may be called to address an unprecedented influx of large defined benefit pension plans, if companies can no longer afford to maintain the plans. We appreciate your interest in these issues and your request that we monitor PBGC's preparedness strategy. We have been working with PBGC officials to support and oversee their efforts and are in the process of assembling a team to review the steps that PBGC management is taking to prepare for the coming months and years.

Both the President and Congress have noted that the current economic crisis is the result of many years of irresponsibility, both in government and in the private sector. As the guarantor of pensions for many of the Nation's workers, PBGC will certainly be affected by the trends and events that shape our economic future. We appreciate this Committee's strong interest in vigilant oversight of the PBGC's investment activities and in its readiness to face the consequences of defined benefit plans on the brink of financial distress, with this hearing as just one of the many indicators of that support.

We realize that PBGC faces enormous challenges and note the commitment of the Acting Director, PBGC's senior leadership, and the PBGC Board to the success of PBGC's investment program and preparedness initiatives. PBGC's leadership has been proactive on several fronts. For example, PBGC's senior leadership has been engaged in contingency planning for a potential wave of pension plan trusteeships in the near future. The focus is on ensuring that PBGC's core functions -- insurance programs and benefits administration -- have the necessary resources (including staff, budget, and information technology) to address the incoming workload. PBGC staff has briefed us on initial assessments of the potential impact on PBGC if pension plans of various sizes terminate without sufficient assets to pay future benefits and PBGC becomes responsible for those benefits. Additionally, PBGC consistently monitors the conditions of multiple high-profile industrial sectors including retail, newspaper, pharmaceutical and auto.

Our statement today focuses on the specific challenges PBGC faces as it prepares for the future in a turbulent financial environment and on our strategy to promote integrity and support PBGC in its readiness efforts. Specifically:

- **PBGC must continue to work with its Board to determine how to ensure integrity as it contracts for investment services.** Earlier this month, we reported on serious questions relating to the integrity of the procurement process for Strategic Partnership contracts to manage \$2.5 billion in PBGC assets. We identified actions that PBGC and its Board should take to foster impartiality in future procurement activities and compliance with existing contracting laws and regulations (see attachment for full report.)¹ This interim report was issued as part of our ongoing monitoring of PBGC's plans for implementing the new investment policy and included our assessment of allegations brought to our attention by a whistleblower. Based on our analysis, we concluded that the former PBGC Director, Charles E.F. Mr. Millard, had inappropriate contacts with bidders for the Strategic Partnership contracts and took actions incompatible with his role as Director. We recommended a Board-level decision as to whether the actions of the former Director cast enough doubt about the fairness, integrity, and openness of the procurement to warrant cancellation of the contracts. We also recommended the establishment of a Board-imposed requirement that future PBGC Directors maintain appropriate separation of duties, with special care given to situations that are likely to create the appearance of improper influence or bias. The Board responded quickly and appropriately to our recommendations.
- **Our audit and investigative initiatives must continue to examine areas that present the greatest risks and promptly notify PBGC, the Board, and Congress of actions needed to ensure effective governance and readiness for whatever the future brings.** We have begun working aggressively to position our office to handle the potential increase in oversight workload associated with current economic conditions. We initiated a three-phase approach to conducting this work. Earlier this month, in anticipation of changes that may come if companies can no longer afford their defined benefit plans and in response to a request from your committee, we initiated a review to assess PBGC actions to prepare for possible influx of defined pension plans with large numbers of participants in the near future. To meet this objective we will examine: (1) the steps PBGC management is taking to prepare for a possible increase in the number of terminated plans; (2) the extent to which an increase in the number of terminated plans presents challenges for PBGC management in both termination and benefit delivery processes; (3) the effectiveness of PBGC processes for identifying, prioritizing and obtaining needed resources, such as human capital; and (4) the steps PBGC management is taking to ensure continued customer service and effective Field Benefit Administration offices in the event of

¹ OIG Report No. AUD-2009-5/PA-08-63-1, "Former Director's Involvement in Contracting for Investment Services Blurs Roles and Raises Fairness Issues," May 15, 2009. OIG reports and testimonies are available on our website: www.oig.pbgc.gov.

termination increases. We plan to fast-track the most time-sensitive results of our work to ensure we provide PBGC, the Board, and Congress with timely and relevant information.

Phase 2 of our strategy is already underway and involves a systematic review of the strengths and weaknesses of PBGC's approach for executing the new investment policy and an assessment of the effectiveness of PBGC's plan to identify and manage key risks. We plan to begin reporting the results of this effort this summer through a series of advisories to PBGC. Phase 3 is a longer-term initiative in which we will drill down on high-risk areas that emerge as a result of our ongoing review.

I will now discuss these issues in further detail.

PBGC MUST CONTINUE TO WORK WITH ITS BOARD TO ENSURE INTEGRITY IN CONTRACTING FOR INVESTMENT SERVICES

Earlier this month, we issued an interim report (attached) as part of our ongoing review of the PBGC's implementation of its new Investment Policy. Our report discussed our findings and recommendations to ensure PBGC develops and implements internal controls to foster impartiality in future procurement activities and compliance with existing contracting laws and regulations. Further, our report recommended that the Board consider whether the inappropriate actions taken by the former PBGC Director had caused so much doubt about the fairness, integrity, and openness of the Strategic Partnership that the contracts should be cancelled.

The PBGC Board provided a positive response to our report and has committed to take appropriate corrective actions.

The actions taken by the former Director constitute a serious challenge to contracting integrity at PBGC. The former Director:

1. Assumed de facto responsibility for key procurement actions, violating the principle of separation of duties and rendering PBGC vulnerable to allegations of bias, improper influence, or conflict of interest.
2. Consulted with potential bidders about the impact of certain mandatory requirements on them and on others, as well as about proposed questions for PBGC procurement officials to ask during the bidders' oral presentations.
3. Had inappropriate contact with bidders during the "blackout" period when such contact was forbidden.
4. Sought employment assistance from an executive employed by one the winning bidders for a Strategic Partnership contract to manage \$700 million in private equity.

To address the serious issues discussed in this report, we recommended that the PBGC Board require future Directors to ensure appropriate separation of duties, to include refraining from service on technical evaluation panels and other de facto procurement activities, giving special attention to situations that are likely to create the appearance of improper influence or bias. The Board agreed with our recommendation and advised that it will be working with the PBGC to develop appropriate guidelines.

Today, I will highlight a few of the key areas that led to the need for action.

1. The Former Director Assumed De Facto Responsibility for Key Procurement Actions.

As part of his job, the former PBGC Director represented the Corporation before the investment community in person, traveling frequently to New York and maintaining continual telephone contact with major investment firms. However, at the same time, he inappropriately assumed de facto responsibility for key procurement activities necessary to implement the new investment policy, including evaluating many of the same investment firms with which he routinely dealt. The former Director's contact with bidders allowed some, but not all, to have frequent and in-depth access to a key procurement decision-maker. Further, the continuing contact provided an opportunity for some, but not all, bidders to enhance the former Director's level of confidence in their firms' knowledge and skills.

Federal Regulations Establish High Standards for Procurement actions .

Government-wide ethics rules are founded on fourteen principles, one of which requires all federal employees "to avoid any actions creating the appearance that they are violating the law."² In its own ethics handbook "*Public Service is a Public Trust*," PBGC sets forth these guiding principles of ethical conduct. The discussion about "Impartiality Issues" is written simply and lists examples of circumstances that could call impartiality into question; specifically noted is the evaluation of bids submitted by friends.

PBGC's procurement process is also subject to a variety of implementing guidance, including the Federal Acquisition Regulation (FAR), intended to ensure impartiality in contracting decisions. Examples include:

- "An essential consideration in every aspect of the System is maintaining the public's trust. Not only must the System have integrity, but the actions of each member of the Team must reflect integrity, fairness, and openness ..."³
- "Government business shall be conducted in a manner above reproach and, except as authorized by statute or regulation, with complete impartiality and with

² 5 C.F.R. § 2635.101(b)(14).

³ FAR § 1.102-2(c)(1).

preferential treatment for none. Transactions relating to the expenditure of public funds require the highest degree of public trust and an impeccable standard of conduct. The general rule is to avoid strictly any conflict of interest or even the appearance of a conflict of interest in Government-contractor relationships. While many Federal laws and regulations place restrictions on the actions of Government personnel, their official conduct must, in addition, be such that they would have no reluctance to make a full public disclosure of their actions.”⁴

The former Director was intimately involved in the day-to-day details of contracts used to develop and implement the new investment policy.

Despite warnings from his own advisors about the wisdom of doing so, the former Director actively participated in PBGC’s procurement of investment services contracts. Throughout his tenure, he enmeshed himself in the evaluative process. Examples include:

- Serving on a three-member evaluation panel, with two subordinate employees, to select **Rocaton** to assist in developing the new investment policy.
- Choosing evaluation panel members, and serving on the evaluation panel, with two subordinate employees, to select **Plexus** to provide advisory services for the development of transition management principles.
- Choosing evaluation panel members and serving on the evaluation panel, with two subordinate employees, to select **Ennis Knupp** as advisor for the upcoming strategic partnership procurement.
- Helping draft the Statement of Objectives for the Strategic Partnership contracts, including the 13 mandatory requirements; leading the bidders’ conference; helping draft the evaluation factors through which the winning firms would be selected; and serving on the evaluation panel to select the winning bidders.

2. The Former Director Consulted Directly with Some Firms Prior to Issuance of the RFP.

The former Director interacted with some, but not all bidders, in a manner that failed to reflect integrity, fairness, and openness, as required by the FAR⁵ and by government ethics regulations. His communications created, at a minimum, the appearance that bidders with whom he interacted would have an unfair advantage in seeking a Strategic Partnership with PBGC.

In the month preceding the issuance of the Strategic Partnership RFP, the former Director engaged in a two-day email exchange with a BlackRock Managing Director.⁶ The

⁴ FAR § 3.101-1.

⁵ FAR § 1.102-2(c)(1).

⁶ The Managing Director was noted as a key person on the Strategic Partnership contract for the management of up to \$900 million in real estate and private equity.

discussion centered on the standards to be used to evaluate bidders for the PBGC Strategic Partnerships. The emails include discussion of getting together in person and by phone.

The former Director asked the BlackRock executive about the “minimum number of employees a Strategic Partner should have globally.” After the executive failed to give a definite answer, the former Director explained the reason for needing a specific number: “... I think I need a cognizable cutoff figure so that we can **winnow the field** easily.” [Emphasis added.]

In response the BlackRock executive wrote, “I will be self serving and say overall firm shld have at least 5,000 total employees. Getting more specific on global now, I wld suggest at least 25 pct of total employees (and a minimum of 250 in total) shld be in non-US offices. I added the parenthetical **to eliminate the 100 person boutique firm with 30 people overseas from consideration.**” [Emphasis added.]

At that point the former Director responded, “Any idea who that includes or excludes?” Clearly, the purpose of the two-day email exchange was to allow the establishment of a specific criteria that would “winnow the field” and “eliminate [certain firms] from consideration.” This exchange of emails is inconsistent with the former Director’s responsibility as set forth in the FAR. “Government business shall be conducted in a manner above reproach and ... with complete impartiality and with preferential treatment for none.”⁷

At the August 8 bidders’ conference, the potential bidders who attended were reminded of the RFP’s mandatory “firm size” requirement and that no firm should submit a proposal for the Strategic Partnership work unless it had thousands of employees. To their credit, PBGC senior leaders, including the Procurement Department Director, the Procurement Deputy Director, and the PBGC Treasurer,⁸ questioned the criteria for size, as established in the RFP. According to the Deputy Director of Procurement, “Requiring employees numbering in the thousands may be unsupportable. If we hide from [answering a question raised by a bidder about minimum size], it may look as if we have no rationale to support the requirement....” Mr. Millard addressed the issue in an email stating, “I don’t see why we need change rfp. Says thousands, means thousands.”

3. The Former Director Had Inappropriate Contact with Bidders During the “Blackout” Period.

Although he was aware that he was prohibited from speaking with representatives of the firms that were attempting to become PBGC’s Strategic Partners, the former Director communicated with winning bidders by phone and by email during the time when proposals were being evaluated.⁹ Ordinarily, communications between the PBGC

⁷ FAR § 1.102-2(e)(1)

⁸ The Treasurer also served as Deputy Director of the Financial Operations Division.

⁹ Of the 16 firms submitting bids, calls were logged from the former Director’s phones with 8 firms during the “blackout” period, including calls with each of the successful bidders.

Director and executives of financial management firms would not be prohibited. However, in this case, because the former Director had been so involved in the details of the procurement process and was serving with subordinate employees on the technical evaluation panel, such contact violated regulations intended to ensure the integrity of the procurement process.

As an example of the communications during the blackout period, we found ten phone calls and at least five emails between the former Director and a managing director of JPMorgan. The emails show that the former Director was attempting to reach the JPMorgan executive by phone. The subject line of the emails was “Can I reac” [reach]. The JPMorgan executive replied with details of his hotel room number and telephone, his mobile phone number, and the phone number of his apartment, as well as times when he would be available. We were unable to determine conclusively whether the former Director and the JPMorgan executive ever actually spoke by phone and we do not have specific information about the topics the former Director planned to discuss. However, the day that winners of the Strategic Partnerships were selected, the email string continued. The subject line was changed from “Can I reac” [reach] to “Strat partnerships” and the message sent by the former Director was “U guys get 900 m. 600 real estate 300 private equity.” We concluded that the email message and the subject line provide a strong indication that the strategic partnerships were to be the topic of the phone conversation between the former Director and the JPMorgan executive.

During January 2009, as part of our audit, we interviewed the former Director about communications with bidders during the “blackout” period. Initially, he stated that he had been careful not to talk to any of the potential bidders during the period that the Strategic Partnership was “on the street” for bid. He also stated that he did not recall having any conversations with offerors during the procurement. OIG professional staff then showed the former Director his own telephone logs. At that time, he amended his prior statement and commented that, if he had spoken with an offeror, he definitely would not have discussed the Strategic Partnership procurement.

The former Director’s explanation about the phone calls continued to evolve throughout our audit. For example, he later provided the explanation that the phone calls to the JPMorgan executive were made to discuss a particular news article. We were unable to corroborate this explanation, as the news article to which he referred was dated after the first of the emails and phone calls – an indication that some other topic was under consideration. Subsequently, in a written statement addressing the issues in our report, the former Director asserted that he made the phone calls and emails to the JPMorgan executive as part of his work with the McCain transition team. He provided documentation to show that the JPMorgan executive had been under consideration for a cabinet level post, along with a number of other candidates. We attempted to corroborate the former Director’s explanation through an interview with the leader of the McCain transition team, who advised that named candidates were not called as part of the process in which the former Director was involved. In a further attempt to corroborate the former Director’s explanation, we identified the person or company associated with each phone number called from the former Director’s cell phone and from his direct line during the

relevant time period. Except for the calls to the JPMorgan executive, there were no phone calls to either the homes or the businesses of any of the individuals identified by the former Director as potential candidates for political appointment, based on the listing he provided us.

4. The Former Director Sought Employment Assistance from an Executive of One of the Winning Bidders.

Our review of the former Director's voluminous email records disclosed extensive communication with a Goldman Sachs executive, occurring after the award of the \$700 million Strategic Partnership contract. While we did not identify any evidence that the former Director was attempting to obtain employment directly with Goldman Sachs (or with any of the winning firms), we did find 29 emails between a senior Goldman Sachs official and Mr. Millard to assist him in his search for employment. For example, the former Director provided his resume, bio, and six news articles to the Goldman Sachs executive, who in turn forwarded the materials to others in the financial community. Employment assistance provided by the Goldman Sachs executive to the former Director included personal meetings, strategic advice, introductions to potential employers, and help with meeting arrangements. In one email the executive wrote:

... It was great to see you this afternoon. I spoke with [the CEO of a financial services firm] after our mtg. He would love to meet with you in NY. I told him I would forward your info when I receive it and then you can feel free to coordinate with his assistant at any time after that. Separately, I spoke with [--] and he confirmed for tomorrow morning. I will keep you posted on the others that we discussed.

The evidence of the 29 emails tends to contradict the written statement of the former Director, in which he asserted, "... around the time I became aware of this audit, I became aware of a rumor that I was pursuing the Strategic Partnerships in order to increase my chances at post-PBGC employment with large financial services firms. This was ridiculous, as I already had numerous contacts at such firms and had worked in senior roles at two of them in the past."

The former Director advised us that the assistance was provided due to a "deep personal relationship" between him and the executive. He had also previously asserted that the executive was not actually involved in bidding for the Strategic Partnership contract. While the executive was not listed as "key personnel" in the Goldman Sachs bid, the former Director had requested, via email, that a subordinate provide the RFP to the executive. Further, on the day that Strategic Partnership contracts were awarded, the former Director sent the Goldman Sachs executive an email with the subject "Strat partner" stating, "U guys got 700 m in private equity." We concluded that the receipt of employment assistance from a winning bidder raises serious ethical concerns.

A Special “Thank You” to the Whistleblower

Reporting concerns about fraud, waste, or abuse to the Inspector General requires a lot of courage. The task is even more difficult when the issues of concern are subjective, involving questions of fairness, of impartiality, or of “appearance.” I am grateful to the PBGC employee who first reported the questionable actions of the former Director to my office. Disregarding concern about how well the Whistleblower Protection Act could protect his/her identity, this loyal employee made a choice to put PBGC’s interests above the employee’s own interest to be free from possible retaliation. That choice will help the PBGC Board and PBGC leadership make the changes needed to maintain the public’s trust. This employee deserves our gratitude and thanks.

THE OFFICE OF INSPECTOR GENERAL WILL CONTINUE TO EXAMINE AREAS THAT PRESENT THE GREATEST RISKS AND PROMPTLY NOTIFY PBGC, THE BOARD, AND CONGRESS OF ACTIONS NEEDED TO IMPROVE EFFECTIVENESS AND MINIMIZE FRAUD, WASTE, AND ABUSE

Our office supports PBGC in its various initiatives. We are in the process of developing a risk-based strategy that will target the highest risk areas and emphasize timely reporting of results. To that end, we are evaluating PBGC’s implementation of its investment policy and providing oversight for PBGC’s preparations for the potential influx of new large defined benefit pension plans. Our work is being coordinated with the Government Accountability Office to avoid duplication of effort and maximize accountability coverage. In addition, we have a number of ongoing audits and reviews that directly relate to the challenges of operating a government corporation such as PBGC. We have also begun several actions to enhance our capacity to assist PBGC in ensuring accountability; these actions include the recent hiring of an experienced audit manager and high-performing criminal investigator from other Offices of Inspector General to help us handle our increased audit and investigations workload.

The Office Of Inspector General Is Working With PBGC To Ensure Implementation Of Outstanding Audit Recommendations.

Audit recommendations are the heart of any audit report. No matter how interesting the findings may be, a report is not effective unless the recommendations are implemented and the problems reported fully addressed. Last month, my office undertook a comprehensive review of the status of outstanding audit recommendations and we identified 130 outstanding recommendations for corrective action that have not yet been implemented by PBGC. We noted the following:

- Some recommendations were quite old; for example, the need to implement an integrated financial management system was first reported twelve years ago, in 1997. The issue has been included in each subsequent year’s financial statement audit, including the audit for FY 2008.

- As another example of a corrective action that is long overdue, recommendations from an audit report issued in 2003 relate to PBGC's Premium Accounting System and are not scheduled to be completed until June 2010.
- Progress is being made on some old recommendations, however. For example, our FY 2004 financial statement audit included a recommendation for the development of a comprehensive procedures manual for processing and estimating premiums – an action that is scheduled to be complete sometime this summer.
- As good news, we noted that 50 of the 130 open recommendations were issued within the last year – most of these are in the process of being implemented as we speak.
- Our recommendations focus on helping PBGC do its work better. About three-fourths of the recommendations are intended to improve PBGC's internal controls or governance.

The Office of Inspector General Is Conducting a Review to Identify Vulnerabilities and Any Needed Changes in PBGC's Approach to Executing its Investment Policy.

Ongoing audit work is examining the strengths and weaknesses of PBGC's approach for executing its investment policy. As part of that review, we are also evaluating the effectiveness of PBGC's plan to identify and manage key risks that could affect investment performance or limit anticipated benefits. We have already issued one report, the interim report discussed above. That report addressed PBGC's vulnerability to one of those risks and raised serious questions about the integrity of the procurement process for the Strategic Partnership contracts.

PBGC has committed to working with the Board to make important decisions, including whether Strategic Partnerships fit into the investment approach going forward. We plan to expedite our reporting to ensure that PBGC, the Board, and Congress have real-time information related to our work, as decisions are being made about potential changes to PBGC's approach to implementation. That is, if we identify any issues that warrant immediate attention, we will issue advisories to highlight those issues.

The final phase of our strategy involves using the results of the work mentioned above to identify areas that warrant additional effort and reporting, based on potential risks. We will use this information to develop a long-term plan outlining our investment-related audit and investigative initiatives. We remain committed to protecting PBGC's investment portfolio over the long term.

Other Ongoing Audit and Investigative Initiatives

Our investigators have been proactive in their deterrence efforts, recognizing that the risk of fraud or other criminal behavior increases at times of stress and change. Ongoing activities include:

- Investigation into post-award contacts between the former Director and executives at companies that were awarded Strategic Partnership contracts. As described earlier in my testimony, our audit determined that the former Director had sought placement assistance in the weeks following the contract announcements; in part, our investigation will address the extent to which these conversations took place in personal emails and telephone calls. We are doing this work at the bipartisan request of Senators Kennedy, Baucus, Enzi, and Grassley.
- Fraud Awareness briefings to several Pension Benefit Guaranty Corporation (PBGC) departments and Field Benefit Administration Offices throughout the country. We conducted these fraud briefings to educate employees and contractors about the roles and responsibilities of the Office of Inspector General. Specifically, the Office of Investigations focused on raising awareness to potential indications of fraud, and discussed mechanisms for reporting allegations to the Office of Inspector General.
- Non-voting participation on PBGC's Internal Control Committee. The Assistant Inspector General for Investigations provides insight gained through his experience as criminal investigator to the committee responsible for oversight and accountability of PBGC internal controls. Effective control systems may detect fraud or deliberate non-compliance with policies, regulations, or laws.
- Distributing materials, such as our newly designed Hotline posters and periodic electronic Fraud Alerts, to PBGC employees and contractors and to retirees receiving their pensions through PBGC.

Our strategy also involves emphasizing the investigation of allegations of fraud in any of the pension plans that PBGC takes on as a result of the potential influx of new plans. We will be vigilant in presenting cases to the Department of Justice (DOJ) for prosecution and participating in resulting prosecutions. We will also focus on ensuring that PBGC officials do not inadvertently take actions that compromise potential prosecutions. For example, we have already established a regular periodic meeting between the Office of Inspector General and the PBGC General Counsel at which we will discuss coordination of efforts to ensure effective deterrence. As needed, our efforts are coordinated with the Department of Labor Office of Inspector General and the Employee Benefits Security Administration. Further, we are reaching out to our investigative counterparts in other federal agencies and in state and local governments.

The Office of Inspector General is Taking Action to Best Position Itself for Future Change.

The issues under discussion today have presented our office with resource challenges. We are a small Inspector General office, especially when considered in relation to the large dollar amounts at stake and the sophistication of the businesses (including Wall Street investment firms) with whom PBGC deals. Accordingly, we are making the most of the resources provided to our office.

- We contract for assistance when we do not have enough staff or the necessary technical background to address important questions. For example, last week we issued a discussion draft report on PBGC's management of its securities lending program, a complex issue. To meet our objectives in this review, we obtained contract assistance from a well-respected financial services advisor to perform the detailed and substantive review.
- We are in the process of hiring up to three new audit managers. Bringing high-caliber leaders on board is critical so we can deploy them to track the potential influx of defined benefit plans and deal with the increased workload of complaints that is likely to occur as we continue to publicize our Hotline.
- In the very near future, we will begin conducting systematic outreach with Congressional and other stakeholders, including the staff of the Special Committee on Aging and the staffs of our authorization and appropriations committees in the House and Senate. We have been pleased with the support shown to our office by the committees and we intend to keep the lines of communication open. We know that PBGC has many other stakeholders -- beneficiaries in terminated pension plans, participants in ongoing plans that PBGC insures, the employers who pay premiums, and the policymakers who oversee the federal insurance programs. We plan to reach out to these important stakeholders, as well.
- In response to upcoming challenges, our office is updating its comprehensive strategic plan so that our audits and investigations are more clearly tied to an overarching strategy. This strategy will reflect and support PBGC's strategic goals of safeguarding the federal pension insurance system, providing exceptional service to customers and stakeholders, and exercising effective and efficient stewardship of PBGC resources.
- Finally, we are developing new reporting formats that will allow us to expeditiously issue the results of our work so that action can be taken in a timely manner. We are also focused on presenting our work in user-friendly, understandable manner to maximize the impact of our findings and recommendations. Additionally, we are making it simple to learn about our new reports and written products as they are issued. Subscribers to our New Reports Notification feature, displayed on our website at www.oig.pbgc.gov can be alerted, via email, whenever we post a new report.

CONCLUSION

The coming months will bring tremendous challenges and opportunities to PBGC as it manages its investment portfolio and works with the Board to make important decisions, including whether Strategic Partnerships fit into the investment approach going forward. Further challenges are posed by the current economic situation and concerns that some large defined benefit plans may be on the brink of financial distress. We are in complete

alignment with the Committee's commitment to ensure that PBGC management is taking steps to strategically prepare the Corporation for the possible influx of such plans and their participants.

PBGC will need sustained efforts to ensure that integrity, accountability, efficiency, and effectiveness are maintained as it moves forward. To that end, we acknowledge current PBGC leadership, including the acting Director, for their ongoing contingency planning and the focus on ensuring that PBGC core functions - insurance programs and benefits administration - have the necessary resources including staff, budget and information technology to address workload associated with the potential wave of pension plan trusteeships in the near future. We are focused on assisting PBGC officials in their efforts by identifying vulnerabilities and making recommendations for improvements, where needed.

It is important that we ensure accountability to help restore the trust that may have been damaged through the misconduct of the former Director. As PBGC moves forward, it has a unique opportunity to reconsider its approach to implementing the investment policy and make any needed adjustments. Further, if it can meet the challenge of its increased workload with efficiency, transparency, and integrity, PBGC has an opportunity to reassure the American people about the basic soundness of our Nation's economy. We are committed to helping PBGC do just that.

That concludes my statement, Mr. Chairman. Once again, I thank the Committee for its support of our efforts. I will be happy to answer any questions you or other Members of the Committee may have.