

United States Senate

WASHINGTON, DC 20510

September 28, 2000

Mr. David Strauss
Executive Director
Pension Benefit Guaranty Corporation
1200 K Street NW
Washington, DC 20005

Via fax: (202)326.

Dear Mr. Strauss:

Thank you for your testimony before the Special Committee on Aging and the Committee on Small Business given September 21, 2000. In our efforts to ensure that the Pension Benefit Guaranty Corporation conducts its operations in a manner that effectively administers trust fund assets while still meeting the needs of pension plan participants, we appreciate your commitment to improve the accurate and timely issuance of initial determination letters (IDLs), tighten contract management, and strengthen computer security.

As a follow-up to the hearing, please provide answers to the following questions:

1. Inspector General Wayne Poll testified that it would be beneficial for the PBGC to be more aggressive in obtaining the records it needs from pension plans in order to perform timely valuations and benefit calculations.
 - A. How long does it take the PBGC to gain trusteeship of a plan after it has terminated?
 - B. How aggressive is the PBGC in obtaining the records it needs to perform an actuarial valuation?
 - C. What steps does the PBGC take to ensure that plan documents and records are preserved between the time of termination and the time of trusteeship?
 - D. Why does it take a year or more to issue an IDL after the actuarial valuation is complete?
2. How does the PBGC measure the accuracy of the determination letters it sends out?
3. The PBGC asserted that in fiscal year 1999 the average age of IDLs issued after date of trusteeship was 5.7 years. Inspector General Poll stated in his written testimony that the PBGC uses a standard averaging method, which masks the number of IDLs that take longer to process. Does your average include some IDLs that have been issued or all the IDLs in your backlog? Please explain in detail.

4. In your testimony, you stated that the PBGC issued 67,700 benefit determination letters in fiscal year 1999.
 - A. How many of those letters told participants they had been overpaid and requested repayment?
 - B. How many of those letters told beneficiaries they had been underpaid and were due additional benefits? How many of those additional payments were made as lump-sum payments?
 - C. What is the PBGC's strategy for reducing these overpayments and underpayments?
5. The Inspector General's office has documented an interview with Mr. Bennie Hagans, director of the Insurance Operations Department, as saying "there is no impact [to participants] from delayed IDLs. Participants get their checks." A copy of this document is attached. Do you agree with Mr. Hagans' statement?
6. The New York Times, in an article published September 21, 2000, cites a statement from you asserting a racial motivation for allegations about contracting matters investigated by the General Accounting Office's Office of Special Investigations. However, in the hearing that same day, you mentioned nothing about this alleged racial motive. The following day, the New York Times reporter noted you had been making this allegation for months prior to the hearing.
 - A. What specific evidence do you have that the contracting allegations are racially motivated? Did you share that evidence with the General Accounting Office?
 - B. If you had such evidence, why did you not introduce the matter into the hearing? If you do not have such evidence, why did you make allegations of a racial motive to the New York Times reporter?
7. Do you agree with the General Accounting Office that the organizational placement of the Contracts and Controls Review Department is inherently not independent under generally accepted government auditing standards? If not, why not? Please attach any supporting documentation.
8. How will the PBGC compile comparative analysis data of contractor Field Benefit Administration offices, to ensure contractors are accountable for their past performance records?
9. The General Accounting Office indicates that the PBGC is now shipping new work to the Field Benefit Administration offices even after those FBAs have handled the plans they were originally established to resolve. Do you intend to continue this practice? Are FBA offices becoming de facto regional offices for

the PBGC? Does the current distribution of FBA offices make sense if these offices are going to act as regional offices?

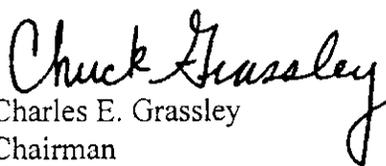
10. Currently, 60% of the PBGC's active contracts use labor-hour pricing. Does the PBGC have plans to increase its reliance on fixed-price contracts? Please explain in detail.
11. Have you personally consulted with Inspector General Wayne Poll about additional steps that may need to be taken to strengthen the PBGC's computer security, based on what has been learned during the past few months of implementation of the corrective action plan?
12. Does the PBGC have any suggestions or recommendations for legislative changes that would provide the PBGC with a more efficient and faster benefit determination process?

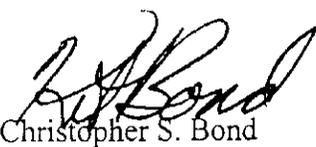
We would like to receive your written responses by Tuesday, October 3, 2000 so that we may include them as part of the hearing record, which will close on Thursday, October 5, 2000.

Also, please provide us with your plan for improving the IDL process by Friday, November 10, 2000. In addition to increasing timeliness and accuracy, we are especially interested in steps that can be taken to make the IDL more readily understandable by participants. An IDL that clearly and in plain language discloses the assumptions on which the benefit calculation was based will help participants know when they have grounds for a legitimate appeal. This will enable participants to help you ensure accuracy in benefit determinations, while avoiding unnecessary or baseless appeals.

Finally, please provide a full report on PBGC's contract management process, addressing all concerns raised during the hearing by December 31, 2000. If you have any questions or concerns regarding this letter, please contact Lauren Fuller or Gina Falconio of the Special Committee on Aging at (202) 224- , or Emilia DiSanto or Cordell Smith of the Committee on Small Business at (202) 224-5175.

Sincerely,


Charles E. Grassley
Chairman
Special Committee on Aging


Christopher S. Bond
Chairman
Committee on Small Business



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

Office of Inspector General

December 3, 1998

MEMORANDUM

TO: File - 23128

FROM: Deborah Stover-Springer
Deputy Inspector General

SUBJECT: Record of "No Impact" Statement by Hagans

I attended a one-day training session conducted by the Insurance Operations Department (IOD) for the Office of Inspector General (OIG) and Deloitte and Touche (D&T) staff so that we could gain a better understanding of the various processes that make up the benefit determination process and culminate in the IDL issuance. The training occurred on January 13, 1998, in Training Room 6, in PBGC's Training Institute.

At the training, the tables were arranged in a "U" shape with the open part of the "U" being farthest from the door. I was sitting at the table forming the left of the "U;" when Bennie Hagans, IOD Director, arrived he sat down at the same table, with one chair in between us. Teryal Turner, D&T audit manager, was sitting across from us.

I remember some discussion occurring between Mr. Turner and Mr. Hagans prior to the official training beginning. Though I don't recall the specific context, though I suspect it was during a discussion that the audit would cover the "impact of delayed IDLs on participants." I recall that Mr. Hagans made a statement of the following nature: "There is no impact from delayed IDLs. Participants get their checks."

The reason I remember this so clearly even after the passage of time is because it took me completely by surprise. I was astonished to hear Mr. Hagans, the senior manager of the program responsible for issuing IDLs and who knows the extreme delays PBGC has had in their issuance, say there was no impact on participants simply because we pay participants their monthly checks.