

United States Senate

WASHINGTON, DC 20510

July 2, 2008

Gene Dodaro
Acting Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Dodaro:

We are writing to request a GAO assessment of the process by which the Pension Benefit Guaranty Corporation (PBGC) estimates retiree benefits for corporations that it insures. We are concerned about the impact this process has on pension recipients who have suffered lost paychecks, health benefits, and retirement security in the face of economic volatility and outsourcing.

The PBGC protects the pensions of more than 44 million private sector workers and retirees in over 30,000 employer-sponsored defined benefit pension plans. PBGC's primary responsibility is to collect premiums from plan sponsors and to provide timely and uninterrupted benefit payments when terminations or bankruptcies occur. In the event of plan terminations, PBGC assumes control of plan assets, calculates benefit amounts, and pays recipients a guaranteed benefit. PBGC initially pays retirees an estimated benefit without interruption, but routinely takes several years to calculate the final benefit amount. At times, the final benefit amount is significantly different than initially estimated. In these cases, recipients may face a considerable decrease in monthly payments and may also be forced to pay back overpayments, creating significant financial hardship.

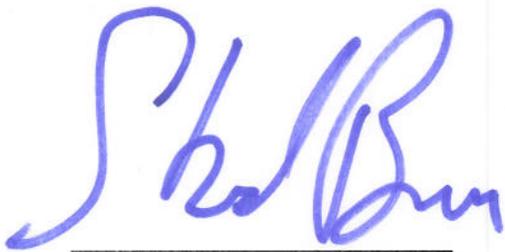
The most recent example concerns employees of Republic Technologies International (RTI), a steel company that declared bankruptcy in 2001 and terminated its pension plans for employees in Ohio, Illinois, Indiana, New York, and Pennsylvania in 2002. Although PBGC assumed immediate control of the terminated RTI pension plan, final benefit determinations were not made until this past spring – almost 6 years later. RTI retirees now face significant decreases in monthly benefit payments, some of up to 70 percent. These benefit reductions are compounded by a recoupment policy that has left many retirees in debt to PBGC, some up to \$75,000.

In light of these circumstances, we are requesting that GAO study several aspects of PBGC performance to determine how its benefit determination process can be improved. Specifically, we would like GAO to determine: 1) how PBGC estimates initial benefits; 2) why there have been noted instances in which there have been delays in making final benefit determinations; 3) to examine the extent to which retiree benefits change significantly when they become final and the reasons for these changes; 4) to examine the discrepancies between negotiated and guaranteed benefits for those retirees whose benefit plans have come under PBGC administration due to plan termination; and 5) to examine how the PBGC appeals process functions, including

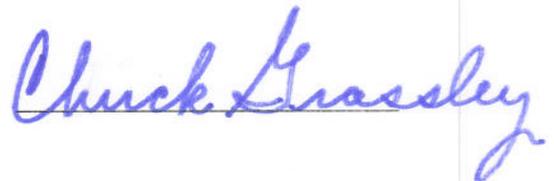
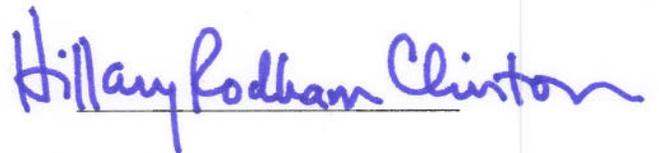
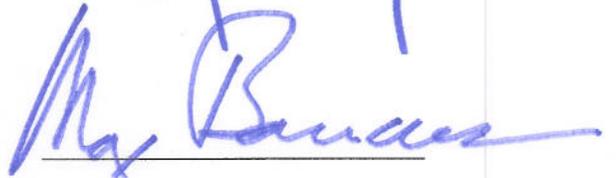
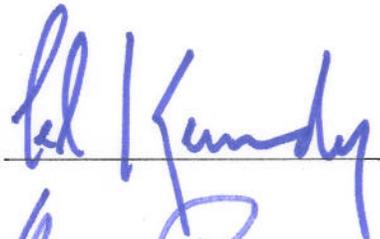
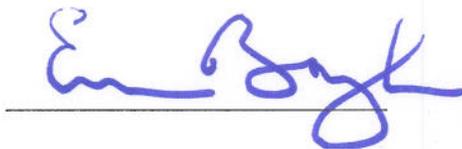
the ease of participant access to the process and the length of time that passes awaiting decision. We would also welcome GAO's recommendations for ways to mitigate any negative impact of PBGC processes on retirees and to make benefit determination faster and more accurate, thus improving the service PBGC provides.

Thank you for your cooperation in addressing these matters. Please contact Cathy Zebrowski in Senator Brown's office at 224-0719 if you have any questions.

Sincerely,



Michael B. Enyi



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