



PENSION BENEFIT GUARANTY CORPORATION

Semiannual Report to Congress

Management's Response to the OIG Semiannual Report:

October 1, 2022 to March 31, 2023

PENSION BENEFIT GUARANTY CORPORATION
SEMIANNUAL REPORT TO CONGRESS

The Pension Benefit Guaranty Corporation (PBGC) remains dedicated to enhancing the retirement security of over 33 million American workers, retirees, and beneficiaries. We are committed to ethically and effectively carrying out the agency's critical mission and ensuring the agency's employees and contractors operate responsibly, transparently, and in accordance with the law. Through its dedicated, independent work, PBGC's Office of Inspector General (OIG) is important to our continued success in serving the public. PBGC continues to work diligently to address OIG's recommendations.

The American Rescue Plan Act of 2021 (ARP), enacted on March 11, 2021, established a new Special Financial Assistance Program (SFA), funded by taxpayer funds. As of March 31, 2023, PBGC approved applications from 41 plans for a total of \$44.8 billion in taxpayer funded assistance. In addition, 35 applications and 35 supplemented applications were under review requesting funds of \$22.1 billion and \$1.7 billion, respectively.

PBGC appreciates the work that OIG has done in reviewing the risk environment of the SFA Program. PBGC has developed internal controls to maintain our high standards of stewardship, accountability, and integrity. Additionally, PBGC continues to develop processes and procedures for auditing multiemployer plans that have received SFA. PBGC management continues to review and monitor the observations in the Risk Assessment of PBGC's Implementation of Special Financial Assistance and assess whether existing processes are commensurate with the new risk context and will mitigate those risks to the extent possible.

During this reporting period the OIG issued two reports on the SFA program. The first [report](#) was on their Evaluation of PBGC's Implementation of the ARP SFA Program. Management is making progress in addressing these recommendations; most of which will be remediated by June 30, 2023. All the remaining recommendations will be remediated by the end of this fiscal year.

OIG also issued a [report](#) on their Limited Scope Evaluation of Terminated Vested Populations in SFA Applications. Prior to receiving the report, Management had already taken corrective action on two of the recommendations. In response to implementation of the Final Rule, the Negotiations & Restructuring Actuarial Department (NRAD) updated its tools and procedures to account for the changes of the Final Rule. In addition, in January 2023, PBGC revised the SFA application instructions to require documentation of a death audit to identify deceased participants that was completed on the census data used for SFA purposes with their applications. The Recommendation Closure Forms and packages for recommendation 2023-05-04 and 2023-05-06 have been submitted to the OIG for consideration.

After receiving the OIG report, PBGC requested census data on terminated vested participants from initial SFA applicant plans that have a 120-day review deadline of May 15 or later. The requested data is currently being reviewed. PBGC will continue to keep OIG informed of changes in the SFA Program and our progress in remediating the recommendations.

While currently financially healthy, the Single-Employer Program remains exposed to more than \$52,032 million in underfunding in pension plans sponsored by financially weak companies that could potentially become claims to PBGC. Similarly, although SFA extended the life of the Multiemployer Program, the Multiemployer Program still faces fundamental financial risks, such as underfunded plans sponsored by employers who have elevated risk of bankruptcy and premium rates that do not completely reflect the risk a plan poses to PBGC's finances. In its April 2023 High-Risk Series Report, the Government Accountability Office (GAO) removed the insurance programs from the High-Risk List and will continue to monitor the insurance programs' finances and other issues.

Over the last 48 years, PBGC has worked diligently to preserve plans, protect plan participants, and ensure participants in trusteed plans and their beneficiaries receive timely, uninterrupted benefits. Last year, PBGC attained its 30th consecutive unmodified audit opinion and maintained, in all material respects, effective internal control over financial reporting.

Table 1 presents resolved audit reports over twelve months old with recommendations that remain open. I am pleased to report that PBGC has closed more than 64 percent of the recommendations in these reports. Table 2 summarizes OIG reports requiring final action.

Our ongoing work with Congress, the PBGC Board, and our OIG is critical to carrying out PBGC's vital mission. We remain committed to enhancing internal controls and operations to better protect the workers and retirees we serve.

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Gordon Hartogenesis
Director

Table 1

**Management Statement on Resolved Audit Reports Over Twelve Months Old
With Final Action Pending as of March 31, 2023**

Date Issued	Report No.	Title of Report	Status of Management Actions
09/27/2019	2019-14	PBGC's Property Management Program	Of the two recommendations included in the report, one recommendation has closed. The remaining recommendation is in process.
12/08/2020	2021-01	Internal Controls Must be Strengthened to Promote Procurement Integrity	Of the three recommendations included in the report, two recommendations have closed. The remaining recommendation is in process.
12/09/2020	2021-02	FY 2020 Financial Statement Audit – General-purpose financial statements of the Single-Employer program and Multiemployer program, including the related notes	Of the 10 recommendations included in the report, nine have closed. The remaining recommendation is in process.
02/01/2021	2021-06	FY 2020 Financial Statement Audit - Management Letter Report	Of the nine recommendations included in the report, seven have closed. The remaining two recommendations are in process.
01/07/2022	2022-04	Missing Participant Program	Of the five recommendations included in the report, two have closed. The three remaining recommendations are in process.
01/14/2022	2022-06	FY 2021 Financial Statement Audit - Management Letter Report	Of the four recommendations included in the report, all remain in process.

Table 2

**Management Statement on OIG Reports Requiring Final Action For the
Period Ending March 31, 2023**

	Ref. 5a U.S.C. 5(b)(2)(A)-(D)	Number of Reports	Disallowed Costs	Funds Put to Better Use
A.	For which final action had not been taken by the commencement of the reporting period.	15	\$ -	\$ -
B.	For which management decisions were made during the reporting period.	5*	\$ -	\$ -
C.	<p>For which final action had been taken by the end of the reporting period, including —</p> <ul style="list-style-type: none"> i. dollar value of disallowed costs that were recovered by management ii. dollar value of disallowed costs that were written off by management iii. dollar value of recommendations that were actually completed iv. dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed <p>No. of reports for which final action was taken during the period.</p>	7	\$ -	
D.	For which no final action has been made by the end of the reporting period.	13	\$ -	\$ -

* During the reporting period, the OIG issued eight (8) reports, five (5) of which contained recommendations.