Testimony of Vincent K. Snowbarger
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Pension Benefit Guaranty Corporation
Special Committee on Aging
United States Senate
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Good afternoon Chairman Kohl, Ranking Member Martinez and other Committee Members, my name is Vince Snowbarger and I am Acting Director of the Pension Benefit Guaranty Corporation ("PBGC" or “the Corporation”).

I appear before the Committee today to discuss PBGC’s financial condition and its readiness to take on new challenges in these turbulent economic times. I want to emphasize that, despite the current economic slowdown and the increasing deficit, the Corporation is able to meet its benefit payment obligations and will be for many years to come.

OVERVIEW

The need for a federal pension safety net became starkly evident when, at the end of 1963, the Studebaker Corporation, then the nation’s oldest major automobile manufacturer, closed its U.S. operations and terminated its pension plan. About 4,000 workers lost the bulk of their pensions, receiving only fifteen cents on the dollar of vested benefits. At an average age of 52, these Studebaker employees had worked for the company an average of 23 years.

In 1974, Congress passed the Employee Retirement Income Security Act (“ERISA”) which, among other pension protections, created PBGC to insure pensions earned by American workers under private-sector defined benefit (“DB”) plans. PBGC now insures almost 44 million workers, retirees, and beneficiaries in about 30,000 DB plans. When a plan terminates in an underfunded condition – because the employer responsible for the plan can no longer fund the promised benefits – PBGC takes over the plan as trustee and pays benefits to the full extent permitted by law.

Defined Benefit Pension Plans

In a DB plan, retirement benefits typically are based on a worker’s earnings and years of service with the employer. DB plans insulate retirees from investment and mortality risk and are intended to be a source of stable retirement income.

DB plans are funded primarily by employer contributions. The law prescribes minimum contribution requirements. Benefits under a DB plan are secure if the employer is financially healthy and can afford to make the required contributions. If an employer can no longer afford a plan, the plan is terminated and PBGC guarantees benefits, subject to legal limitations. Amounts above the statutorily-set guarantee limits can be paid only if plan assets or recoveries from employers are sufficient to allocate to these benefits. Thus, retirement income security for the workers and retirees covered by private DB plans depends on a combination of sound plan funding and a strong insurance program.

PBGC benefit payments are important, often crucial, to the retirement income security of retirees and workers in trusteed plans, many of whom worked decades for their promised benefits. At the end of FY 2008, PBGC was paying benefits to about 640,000 retirees and beneficiaries in terminated underfunded plans; another 634,000 participants in these plans will become eligible to start receiving benefits in the future.

Governance and Financial Structure

PBGC is a wholly-owned federal government corporation overseen by a three-member Board of Directors consisting of the Secretary of Labor, who is the Chair, and the Secretaries of Commerce and Treasury. Day-to-day operations are handled by a presidentially-appointed, Senate-confirmed Director, who reports to the Board. The Corporation also has a seven-member Advisory Committee appointed by the President to represent the interests of labor, employers, and the general public. The Advisory Committee provides guidance and feedback on issues, particularly investment policy.

PBGC operates two pension-insurance programs, which are financially separate. The single-employer program covers 34 million workers, retirees, and beneficiaries in about 28,000 single-employer plans. The smaller multiemployer program – which covers collectively bargained plans that are maintained by two or more unrelated employers – protects 10 million workers, retirees, and beneficiaries in about 1,500 multiemployer plans.

Although PBGC is a government corporation, it receives no funds from general tax revenues and by law its obligations are not backed by the full faith and credit of the U.S. government. Operations are financed by insurance premiums, assets received from pension plans trusteed by PBGC, investment income, and recoveries from the companies formerly responsible for underfunded trusteed plans.

ADMINISTRATION OF TERMINATED PLANS

Benefit Payments

Plan terminations and benefits administration make up the great majority of PBGC's work. It includes the ongoing work necessary to pay plan benefits to participants in trusteed plans. Each month, the Corporation pays over $350 million in benefits to individuals already in "pay status."

When PBGC takes over an underfunded DB plan, workers and retirees (and their beneficiaries) receive pension benefits earned up to the maximum amounts permitted under federal pension law. For plans that terminate in 2009, the maximum guaranteed benefit is $54,000 per year (or $4,500 per month) for benefits beginning at age 65. The maximum is adjusted for different ages or if a benefit will be payable to a surviving beneficiary.

When PBGC takes over a plan, participants are informed that their monthly benefits will continue without interruption or alteration until an initial set of calculations is made to determine any applicable ERISA guarantee limits. Reductions in benefit levels are required if benefits promised by the former plan sponsor exceed the federal guarantee, and plan assets and recoveries from employers are insufficient to cover all promised benefits. The Corporation performs these calculations as quickly as possible upon receiving the needed data (e.g., plan assets and participant data) from the former sponsor(s). These initial calculations may result in PBGC adjusting payments to an “estimated benefit” level until a much more detailed set of calculations (sometimes taking several years) can be performed to ascertain the exact amounts due under the law for a final benefit determination.

The length of time required to determine final benefit amounts payable by PBGC is primarily the result of the different benefit structures and data components for each of the plans that the Corporation trustees, and the state of plan records. In addition, large plans typically have multiple, complex benefit formulas and retirement eligibility provisions. For example, in the case of Bethlehem Steel, there were more than 30 plan documents that PBGC was required to analyze in making final “benefit determinations” for about 95,000 participants in this plan.

In very complicated cases such as Bethlehem Steel, the time required to complete final benefit determinations can exceed three years. However, in a given fiscal year, the benefit determinations issued might generally involve a sizable percentage with faster, less complex determinations, thus lowering the average calculation time. In FY 2008, for example, the average final benefit determination time was 3.3 years.

In contrast, for FY 2010, the average time anticipated to issue final benefit determinations will be longer than in FY2008 and FY 2009. This is based on (1) issuing the remaining difficult calculations for the large airline and steel plans that were trusteed in 2004 and 2005 and (2) having a relatively low inventory of benefit determinations to issue from plans trusteed in 2006-2008, where less complex determinations would reduce the overall calculation timeframe.

Once these calculations are complete, PBGC issues a benefit determination to each participant informing them of their final monthly benefit amount and their right to appeal if they disagree with the calculation. After all appeals are resolved, PBGC continues benefit administration (e.g., placing deferred participants and survivors into pay status, income tax withholding, address changes, etc.) for every participant and beneficiary for the rest of their lives.

Historically, for 80 percent or more of participants in trusteed plans, there is no difference between estimated and final benefit payments. However, as these earlier payments are based on estimates, participants may receive more or less than they are allowed to receive under ERISA. If a participant receives more than allowed by law, future benefits are reduced accordingly. To avoid financial hardship for participants, the reduction (“recoupment”) is normally no more than 10 percent of the final monthly benefit and no interest is charged. When repayment is complete, monthly payments increase to the final monthly benefit determination. If a participant (and any beneficiary) dies during repayment, further repayment is generally waived. If a participant receives less than they are entitled to by law, PBGC pays the difference to the participant in a lump sum with interest.

Benefit Limits

PBGC pays pension benefits earned by workers and retirees subject to legal limitations. For many participants, the benefits promised by their employer are paid in full by PBGC guarantees or plan funding. Unfortunately, some participants lose part of their earned benefits on which they have staked their retirement security because their benefits exceed the guarantee limitations and the plan is underfunded.

There are three principal limitations on PBGC's guarantee: (1) a maximum guarantee that is reduced for ages below 65; (2) a phase-in of the guarantee of benefit increases made within five years of plan termination or sponsor bankruptcy; and (3) a limitation on the guarantee of temporary early retirement supplements.

For example, a participant in the Bethlehem Steel plan, like many other steelworkers, might have started working in his or her early twenties and stayed employed there until eligible to retire under the plan's "30-and-out" provision with a $2,200 per month pension. When PBGC terminated the Bethlehem Steel plan in 2002, the maximum monthly guarantee was about $3,600. Because the law reduces the maximum guarantee for workers who start receiving their pension benefits before age 65, the participant would have experienced a benefit reduction by more than 40 percent to about $1,300 per month.

Participants feel a great deal of stress when their pension plan terminates, frequently at the same time they might be losing their jobs and/or health insurance. PBGC should be a source of reassurance, not another source of stress. To this end, we are both continually learning from what participants and plan sponsors tell us and proactively designing new ways of providing better information.

FINANCIAL CONDITION & TRENDS

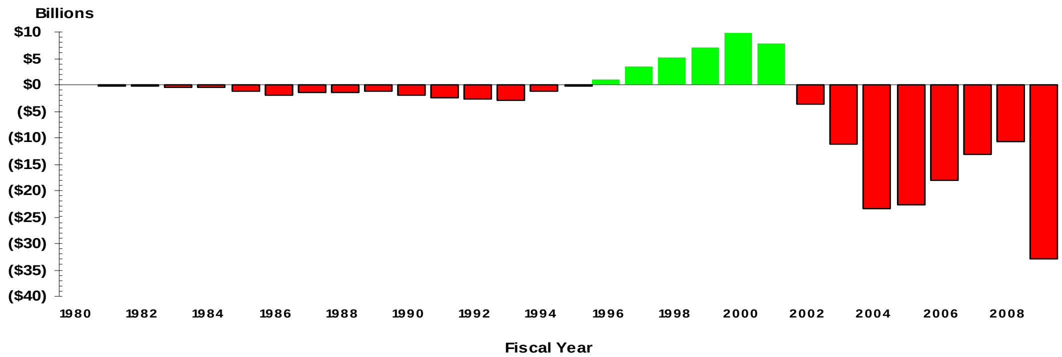
Deficit and Current Financial Condition

Since its establishment in 1974, PBGC has faced many challenges, including economic contraction in certain industries that traditionally have provided DB pensions; inadequate minimum contribution requirements which too often have resulted in unfunded promises at plan termination; premiums that often have been inadequate to meet the financial demands placed on PBGC's program; and employer shifts from DB plans to defined contribution plans, which are not insured by PBGC. Consequently, the Corporation has been in a deficit position for most of its existence.

PBGC's deficit fluctuates due to various factors, including changes in interest rates, investment performance, and losses from completed and probable terminations. While the deficit had declined from $14 billion at the end of FY 2007 to $11 billion at the end of FY 2008, unaudited financial results through the second quarter of FY 2009 show the deficit tripled to about $33.5 billion. The $22.5 billion increase in the deficit was due primarily to about $11 billion in completed and probable terminations, about $7 billion resulting from a decrease in the interest factor used to value liabilities, about $3 billion in investment losses, and about $2 billion in actuarial charges due to the passage of time. Thus, the increase in PBGC's deficit since last year is driven primarily by a drop in interest rates and by plan terminations, not by investment losses.

Despite on-going deficits (see chart below), PBGC has sufficient funds to meet its benefit obligations for many years because benefits are paid monthly spread over the lifetimes of participants and beneficiaries, not as lump sums. Nevertheless, over the long term, the deficit must be addressed. How soon depends on what happens in the next several years.

PBGC Net Position
Single-Employer Program



Data does not include restored LTV plans in 1986. Data for FY 2009 are unaudited.

Claims History

The table below shows the ten largest plan termination losses in PBGC's history. Nine of the ten have come since 2001. The top ten claims are almost entirely from firms in the steel and airlines industries.

Top 10 Firms Presenting Claims (1975-2008) PBGC Single-Employer Program

	Top 10 Firms	Number of Plans	Fiscal Year(s) of Plan Termination(s)	Claims *(by firm)*	Vested Participants	Percent of Total Claims *(1975-2008)*
1.	United Airlines	4	2005	$7,256,476,175	122,541	20.8%
2.	Bethlehem Steel	1	2003	3,654,380,116	91,312	10.5%
3.	US Airways	4	2003, 2005	2,699,936,133	55,770	7.7%
4.	LTV Steel*	6	2002, 2003, 2004	2,134,985,884	83,094	6.1%
5.	Delta Air Lines	1	2006	1,739,670,239	13,028	5.0%
6.	National Steel	7	2003	1,275,628,286	33,737	3.7%
7.	Pan American Air	3	1991, 1992	841,082,434	31,999	2.4%
8.	Trans World Air	2	2001	668,377,106	32,263	1.9%
9.	Weirton Steel	1	2004	640,480,970	9,410	1.8%
10.	Kaiser Aluminum	7	2004, 2007	597,300,477	17,727	1.7%
	Top 10 Total	36		$21,508,317,821	490,881	61.7%
	All Other Total	3,814		13,343,574,151	1,097,767	38.3%
	TOTAL	3,850		$34,851,891,972	1,588,648	100.0%

Numbers may not add due to rounding.

*** Does not include 1986 termination of a Republic Steel plan sponsored by LTV.***

Total claims for FY 1975-2008 also are concentrated in those industries, with about 40 percent from the airlines industry, about 33 percent from steel and other metals, about 8 percent from other manufacturing industries, and about 19 percent from all other industries.

PBGC Claims by Industry (FY 1975-2008)

Single-Employer Program

Industry	Total Claims		Plans	Vested Participants
AGRICULTURE, MINING, AND CONSTRUCTION	**$623,083,516**	**1.8%**	**215**	**49,186**
MANUFACTURING	**17,356,914,964**	**49.8%**	**2,390**	**946,942**
Apparel and Textile Mill Products	934,639,425	2.7%	184	143,539
Fabricated Metal Products	1,245,286,028	3.6%	561	93,803
Food and Tobacco Products	307,326,928	0.9%	169	37,521
Machinery Manufacturing	1,154,728,027	3.3%	254	89,537
Primary Metals	11,586,125,841	33.2%	317	381,384
Rubber and Miscellaneous Plastics	364,083,881	1.0%	106	24,053
Other Manufacturing	1,764,724,834	5.1%	799	177,105
TRANSPORTATION AND PUBLIC UTILITIES	**14,333,663,400**	**41.1%**	**167**	**336,562**
Air Transportation	13,697,236,325	40.1%	40	308,616
Other Transportation and Utilities	366,427,076	1.1%	127	27,946
INFORMATION	**50,019,263**	**0.1%**	**45**	**6,022**
WHOLESALE TRADE	**436,323,176**	**1.3%**	**243**	**36,285**
RETAIL TRADE	**435,976,208**	**1.3%**	**283**	**96,607**
FINANCE, INSURANCE, AND REAL ESTATE	**809,496,616**	**2.3%**	**99**	**30,694**
SERVICES	**806,414,829**	**2.3%**	**408**	**86,350**
TOTAL	**$34,851,891,972**	**100.0%**	**3,850**	**1,588,648**

Sources: PBGC Fiscal Year Closing File (9/30/08) and PBGC Case Management System.

Numbers may not add due to rounding.

Current Exposure

Most companies that sponsor DB plans should be capable of meeting their pension obligations to their workers and thus are not expected to make a claim against the insurance program or put retiree and worker pensions at risk. But the amount of underfunding in pension plans sponsored by financially weaker employers is very substantial. Pension underfunding in non-investment grade companies is classified under generally accepted accounting standards as "reasonably possible" of termination and is required to be reported in the notes to PBGC's financial statements.

At the end of FY 2008, there was substantial reasonably possible exposure in plans of companies in airlines, autos, and steel, among other sectors. Subsequently, declines in the stock market have reduced the value of assets held by DB plans and have caused the unfunded liabilities of most DB pension plans to increase substantially.

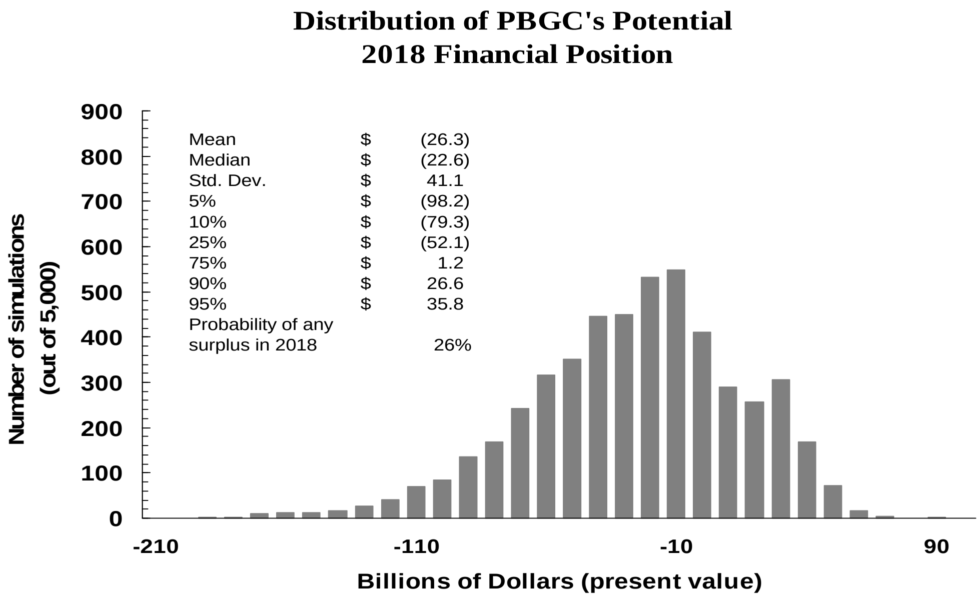
PBGC is closely monitoring companies in the auto manufacturing and auto supply industries, which are in a period of significant financial distress. PBGC estimates that pension underfunding in the auto sector as a whole is $77 billion (calculated on a plan termination basis). Of this amount, PBGC estimates unfunded guaranteed benefits total approximately $42 billion. Thus, participants in auto sector pension plans and the other stakeholders of the pension insurance program are at substantial risk of loss if these plans are terminated.

PBGC also faces increased exposure from weak companies across all sectors of the economy, including retail, financial services, and health care. While PBGC hopes that companies that enter bankruptcy will emerge from bankruptcy with their pension plans ongoing, that outcome in part depends on the overall strength of the economy.

Ten-Year Forecast

PBGC has historically made a 10-year forecast for the single-employer program. The forecast is made using a stochastic model—the Pension Insurance Modeling System ("PIMS")—to evaluate its exposure and expected claims. PIMS portrays future underfunding under current funding rules as a function of a variety of economic parameters. The model recognizes that all companies have some chance of bankruptcy and that these probabilities can change significantly over time. The model also recognizes the uncertainty in key economic parameters (particularly interest rates and stock returns).

The model simulates the flows of claims that could develop under thousands of combinations of economic parameters and bankruptcy rates. The model produces results under 5,000 different simulations. The probability of any particular outcome is determined by dividing the number of simulations with that outcome by 5,000. As shown in the chart below, at the end of FY 08, the model showed a median deficit of about $23 billion at the end of 2018 (in present value terms).



Investment Policy

At the end of FY 2008, PBGC had total assets of $63 billion, of which $50 billion were investible assets. PBGC's investible assets consist of premium revenues held in the revolving fund and assets from terminated plans held in the trust funds. The revolving funds are required to be invested in Treasury securities, but PBGC has more discretion in how it invests assets held in the trust funds.

There have been several different asset allocation policies in PBGC's history. As early as 1976, trust fund assets were invested primarily in equity securities. In 1990, PBGC adopted a new investment policy, "dollar duration matching," designed to reduce the risk of an increased deficit due to interest rate fluctuations. By 1991, 70 percent of investible assets (revolving and trust fund assets combined) were held in fixed-income securities, with the remaining 30 percent invested in cash, equities, and real estate**.**

In 1994, PBGC's Board approved a strategic change in the investment program to maximize long-term investment return and reduce the deficit by increasing equity investments up to 50 percent of investible assets. In 2004, the Board approved a policy to decrease the percentage of assets invested in equities to a maximum range of 15 percent to 25 percent and increase investment in fixed-income securities.

Most recently, in February 2008, PBGC's Board approved a new investment policy allocating 45 percent of assets to equity investments, 45 percent to fixed income, and 10 percent to alternative investments, including private equity and real estate. The new policy was designed to take advantage of PBGC's long-term investment horizon and aims at generating better returns that provide a greater likelihood that the Corporation can meet its long-term obligations.

The Board instructed PBGC to take a deliberate and prudent approach to implement this new policy. At the end of FY 2008, the portfolio consisted of 26.7 percent equities, 70.7 percent fixed income securities, and 2.6 percent alternative investments. As of April 30, 2009, the portfolio consisted of 30.1 percent equities, 68.4 percent fixed income securities, and 1.5 percent alternative investments. Currently, PBGC's alternative investments consist solely of assets inherited from trusteed plans.

PREPAREDNESS

Workload for Terminated Plans

Not only does PBGC face financial challenges, we also face operational challenges. Large plan terminations have always been, and continue to be, the single most important factor determining PBGC's workload as well as its financial condition. Over the years, PBGC has adapted its processes to meet the challenges of its cyclical workload, including the ability to scale up when it experiences a rapid increase in plan terminations, as discussed below, in the case of large steel and airline plan terminations in 2002 through 2005.

In FY 2008, PBGC became responsible for 67 plans with 19,000 participants and $250 million in unfunded liabilities, far fewer than the record numbers of new participants between 2002 and 2005. During the first six months of FY 2009, a time when the economy was weakening, PBGC took in about the same number of plans as in all of FY 2008 and nearly four times the number of participants -- 62 pension plans with more than 75,000 participants and $480 million in unfunded liabilities.

The Corporation experienced the largest influx of participants (809,000) in its history, during the four-year period from 2002 through 2005, due primarily to terminations in the airline and steel industries. These participants represent more than half of all participants in PBGC-trusteed plans to date. The largest yearly increase was in FY 2005, when PBGC became responsible for 269,000 new participants, including about 175,000 from three US Airways plans and four United Airlines plans. PBGC successfully met the challenge of that increased workload.

In April, the Government Accountability Office (GAO) estimated that GM's and Chrysler's plans include roughly 900,000 participants, including both those currently receiving benefits and those who have earned benefits that will become payable in the future.[1] If these plans were to terminate, total new participants coming to PBGC in FY 2009 or 2010 could exceed 1,000,000, and would become by far the largest influx in PBGC's history. If PBGC were to become trustee of those auto plans, the number of participants, the trust fund assets, and the current deficit that PBGC is responsible for all would close to double compared to the end of FY 2008.

The cyclical nature of terminations and the importance of large terminations have required PBGC to develop mechanisms to handle major workload fluctuations. For example, when we take over very large plans, our field benefits administrators often retain the services of staff of the prior plan administrator in order to ensure a smooth transition.

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[1] Auto Industry: Summary of Government Efforts and Automakers' Restructuring to Date, Government Accountability Office, April 2009, Report GAO-09-553, page 21.

The Corporation has taken a number of steps to prepare for possible trusteeship of large auto industry plans:

- Contracts with our paying agent, field benefits administration offices, actuarial firms, and customer contact center, are designed to facilitate adjustments to staffing based on fluctuating workload. Historically, this has worked well.
- PBGC departments are preparing for an increased contracting activity, additional hiring, and additional space and equipment needs.
- PBGC's technology systems have been analyzed to verify their capacity to handle a large workload increase. Major hardware upgrades are planned for early FY 2010.
- Workload estimates are taking into account the possibility of increased retirement rates as a result of possible deterioration in sponsor financial conditions.
- The Corporation is reviewing plan documents of large potential terminations to become familiar with the benefit provisions, including types of benefits that may be new to PBGC.
- We have developed best practices in working with electronic records and databases associated with large plans; and
- We have formulated staffing and specialized team approaches to expand our overall capacity specifically for the auto plans, should that become necessary.

PBGC's FY 2009 budget has some flexibility to cover the expenses of an increased workload. To the extent that the number of new participants in plans terminated in FY 2009 exceeds 100,000, an additional $9.2 million is available for every 20,000 additional participants. Similar spending authority is in place for FY 2010 and beyond. Because this authority has not previously been exercised, we are working closely with OMB in anticipation that the thresholds will be met in FY 2009 or FY 2010. The 2010 Budget also includes a request for an additional $15 million for PBGC's Insurance Program Office, for actuarial and financial advisory services related to the expected increase in exposure and risk faced by the insurance program.

Risk Mitigation

While PBGC has the capability to take on large plans, even historically large plans, continuation of a plan generally is best for all stakeholders, provided adequate funding is available for the plan. PBGC closely monitors troubled companies with underfunded plans and, where possible, negotiates to obtain plan protections. The most recent example relates to protections for Chrysler's pension plans. On April 27, 2009, under a term sheet negotiated with PBGC and Chrysler, Daimler AG has agreed to contribute $600 million to its former Chrysler North American division's pension plans. Once a definitive agreement is finalized and approved by the bankruptcy court, Daimler will make the first of three payments – $200 million when the agreement is approved, and another $200 million in 2010 and again in 2011. In addition, if any of the Chrysler pensions terminate before August 2012 and are trusteed by PBGC, Daimler will pay up to $200 million to PBGC's insurance program. The new agreement replaces the $1 billion termination guarantee negotiated by PBGC at the time of Daimler's sale of Chrysler in 2007, which would have ended upon the occurrence of Chrysler's proposed ownership restructuring.

Chrysler's entry into Chapter 11 bankruptcy protection on April 30 did not change the status of its DB pension plans. The plans remain ongoing under the sponsorship of Chrysler, and are insured by PBGC. As the bankruptcy process unfolds, PBGC will work with Chrysler, its unions, and all other stakeholders to ensure continuation of the pension plans. If possible, we want to avoid plan termination without putting participants or the insurance program at risk.

Delphi’s bankruptcy proceedings remain ongoing, and PBGC is continuing its efforts to protect Delphi’s pension plans (67,000 participants, unfunded benefit liabilities of $6 billion) and support Delphi’s goal of a successful reorganization. In September 2008, the bankruptcy court approved Delphi’s agreement with General Motors to transfer up to $3.4 billion of net liabilities of the Delphi Hourly Plan to the GM Hourly Plan. Delphi transferred the first tranche of net liabilities to the GM Hourly Plan soon thereafter. The second transfer was to occur upon Delphi’s emergence from bankruptcy, which has been hindered by conditions in the auto supplier industry.

In FY 2008 and 2009, as in previous years, PBGC engaged in a number of activities to safeguard the pension insurance system, including plan risk assessments, plan monitoring, and negotiation and litigation, to limit risk of termination and exposure to losses by pension plan participants and PBGC. PBGC is monitoring about 1,400 companies responsible for 3,400 plans, and is currently engaged in over 130 bankruptcy cases. PBGC takes an active role in corporate bankruptcy proceedings on behalf of workers whose pension plans are not fully funded. For example, PBGC is a member of the unsecured creditors committee in 18 ongoing bankruptcy cases. PBGC encourages plan sponsors to continue rather than terminate their pension plans. When a plan is terminated, PBGC pursues recoveries of the underfunding from the plan sponsor and other related companies that are liable.

In addition, PBGC has stepped up negotiations to protect pension plans in connection with corporate downsizing events. Under section 4062(e) of ERISA, a corporate liability arises in situations in which a company ceases operations at a facility and more than 20 percent of the active participants are separated from employment. During the past two years, PBGC has negotiated protections valued at $230 million in 11 cases covering 25,000 participants, and PBGC is currently engaged in active negotiations in over 20 additional cases covering about 29,000 participants.

The steps PBGC has taken to protect pensions that could be adversely affected by corporate transactions or bankruptcy have made a real difference to plan participants and PBGC. And the companies that cooperated in making good on their pension promises have reason to be proud. As the insurer of America 's DB pension plans, PBGC will continue to negotiate protection for workers and retirees in transactions like those described above. These safeguarding activities provide significant protection to the DB insurance system and all its stakeholders.

Currently, PBGC is working through historically high risk mitigation activities. Our ability to identify and analyze plans that pose a risk to the insurance program depends in large part on reporting of plan actuarial information and company financial information under section 4010 of ERISA. Unfortunately, the threshold for that reporting was changed in the Pension Protection Act of 2006, so that PBGC will no longer receive information on some large underfunded plans that pose a significant risk.

Customer Service

Nothing is more important to PBGC than providing the highest quality service to its customers. In recent years, a priority for PBGC has been the establishment of online services that customers could access at their convenience through the internet.

For participants, My Pension Benefit Account (My PBA), allows all participants to review and change their personal information, and retirees can use it to sign up for electronic direct deposit of their benefit payments, change banking information, change federal tax withholding, request benefit estimates, and complete and submit some of the most frequently used forms.

PBGC uses American Customer Satisfaction Index ("ACSI") surveys to measure customer satisfaction with its services and gain insight into needed improvements. In 2008, the PBGC raised the scores it received on the American Customer Satisfaction Index from retirees, future retirees, and premium payers, continuing a record that is among the very best in government. Retirees gave PBGC one of the highest scores in government for providing benefit services, noting particular satisfaction with the timeliness of correspondence. PBGC's customer contact center also received good marks.

CONCLUSION

This is a time of great challenge for all of us in the public sector who are trying to assure American working families of financial security in retirement. Economic turmoil poses issues we have never before confronted and that do not lead to easy solutions. Despite changes in the economy, DB plans will continue to play a vital role in providing retirement security.

PBGC benefit payments are important, often crucial, to the retirement income security of retirees and workers in trusteed plans, many of whom worked decades for their promised benefits. Companies that sponsor pension plans have a responsibility to live up to the promises they made to their workers and retirees. But when a company can not keep its promises, PBGC provides a dependable safety net for workers and retirees.

I would be happy to answer any questions.