

October 1, 2024–March 31, 2025

SARC #72

PBGC OIG

Pension Benefit Guaranty Corporation Office of the Inspector General



SEMIANNUAL REPORT TO CONGRESS





PBGC Headquarters

Washington, DC

→ From the Inspector General



Nicholas J. Novak

Dear Members of the Board

I am pleased to present the Office of Inspector General Semiannual Report to Congress, covering the period from October 1, 2024, to March 31, 2025. This report fulfills the statutory requirement to keep Congress informed about the significant activities and accomplishments of the Office of Inspector General regarding oversight of the Pension Benefit Guaranty Corporation.

As discussed herein, during the last six months OIG has completed audits of PBGC's financial statements and its information security program. We have also issued three evaluations and one special report. As required by law, these documents are publicly available on our website.

In preparing these documents, as in all our work, OIG scrupulously upholds its duty to independently evaluate and report on activities within the Corporation, presenting findings and recommendations in a fair and nonpartisan manner. OIG senior management guides staff auditors, investigators, and analysts to develop recommendations that will assist PBGC in using resources efficiently and effectively. Everyone in the office is dedicated to rooting out fraud, waste, and abuse. In the context of a self-financed government entity like PBGC, we are particularly vigilant to identify misrepresentations of material fact, failures to obtain reasonable value for premium or taxpayer dollars, and actions that a prudent person should not take under given facts and circumstances.

Our Accomplishments this Reporting Period



8
Reports



3
Sentencing



23
Recommendations



2
Convictions

The reporting period has been one of changeover from one administration to another. We appreciate the cooperation and support we have received from the current and former Board representatives and PBGC's Acting Directors. We look forward to continuing to work with the Board, PBGC staff, and Congress in the months ahead.

Respectfully submitted,

Nicholas J. Novak
Inspector General
Pension Benefit Guaranty Corporation

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Pension Benefit Guaranty Corporation

The Agency

The Employee Retirement Income Security Act of 1974 (ERISA) established the Pension Benefit Guaranty Corporation (PBGC or the Corporation) within the Department of Labor to administer pension insurance programs. ERISA requires PBGC to: (1) encourage the continuation and maintenance of voluntary private pension plans, (2) provide for the timely and uninterrupted payment of pension benefits to participants and beneficiaries, and (3) maintain premiums at the lowest level consistent with carrying out PBGC's obligations.

PBGC insures the pension benefits of about 31 million American workers and retirees who participate in more than 24,300 private-sector defined-benefit plans through its single-employer and multiemployer insurance programs. The Corporation's two insurance programs are legally separate and operationally and financially independent. Historically, the Corporation has not received general tax revenues. The Single-Employer Program is financed by insurance premiums paid by sponsors of defined-benefit plans, investment income from plan assets trusted by PBGC, and recoveries from companies formerly responsible for the plans. The Multiemployer Program is financed by premiums paid by insured plans and investment income. Premium rates are set by statute.

In Fiscal Year (FY) 2024, PBGC paid over \$5.8 billion in retirement benefits to 912,000 participants in 5,144 single-employer plans. It also paid \$163.1 million in traditional financial assistance to more than 89,000 participants in 98 insolvent multiemployer plans. Between the two programs, it managed approximately \$151 billion in total assets.¹ The American Rescue Plan Act of 2021 established the Special Financial Assistance (SFA) program to address the solvency of the Multiemployer Program, which was projected to become insolvent in 2026. The SFA program is expected to provide an estimated \$79.6 billion in financial assistance to 198 financially troubled multiemployer pension plans.²

For the first time in its 50-year history, PBGC received taxpayer funds—in the form of SFA—to support financially troubled multiemployer defined-benefit pension plans. As of March 31, 2025, PBGC received 202 SFA applications requesting a total of \$76.4 billion in SFA and approved 150 applications for \$68.6 billion in SFA. Twenty-two applications, requesting a total of \$1.7 billion, were under PBGC review as of March 31, 2025. During the first six months of 2025, PBGC paid \$3.2 billion in SFA. As of March 31, 2025, 45 plans repaid \$202.2 million of SFA to the Treasury due to adjustments related to deceased participants.³

¹ Unless otherwise cited, the figures contained in this section are based on PBGC's 2024 Annual Report.

² PBGC FY 2023 Projections Report, July 2024.

³ SFA figures in this paragraph were based on data reported by PBGC at <https://www.pbgc.gov/arp-sfa/sfa-applications>.

PBGC Office of the Inspector General

Who we are

The PBGC OIG was created under the 1988 amendments to the Inspector General Act of 1978 (IG Act). We provide independent and objective audits, inspections, evaluations, and investigations to help Congress, the Board of Directors, and PBGC protect the pension benefits of America's workers.

We are organizationally independent from the Corporation, with the Inspector General reporting to the Board of Directors. Under Public Law 112-141, the Inspector General must attend at least two Board meetings per year “to provide a report on the activities and findings of the Inspector General, including with respect to monitoring and review of the operations of the Corporation.”

The OIG executive leadership team consists of the Inspector General, the Deputy Inspector General, the Chief Counsel, and three Assistant Inspectors General. The Assistant Inspector General for Audits leads our audit staff, the Assistant Inspector General for Investigations leads our investigative staff, and the Assistant Inspector General for Management leads our office operations.



The Central States Evaluation Team received a Council of the Inspectors General on Integrity and Efficiency (CIGIE) Evaluation Award for Excellence in recognition of excellence for identifying millions of dollars of overpayments in the PBGC's SFA program, resulting in process changes for the remaining applications and enabling the Justice Department to recover \$127 million overpaid to the plan.

Our Value Framework

Independent, Positive Engagement

Our work must be **independent** and objective.

At the same time, corrective action based on our work is less likely to happen if we are not engaged with management.

We optimize our value through **positive engagement** and creating win-wins whenever possible.



Vision

Providing deep knowledge and sensible solutions through independent, positive engagement.



Mission

Prevent and detect fraud and abuse in PBGC programs and operations, along with other core activities.



Pillars

People Focused
Process Oriented
Performance Driven

OIG Core Values



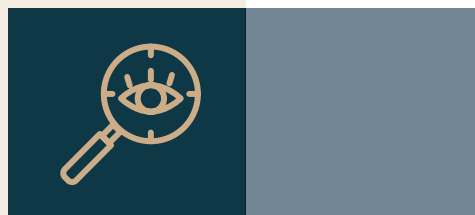
Respect

We treat each other and those with whom we interact with dignity, civility, and due regard to differing perspectives.



Integrity

We consistently practice honesty and fairness with an uncompromising adherence to strong moral and ethical principles and values. We rely upon these principles to guide our actions and decisions no matter how small they may seem.



Excellence

We strive to achieve the highest quality in everything we do and learn from our experiences.



Objectivity and Independence

We conduct our work with fairness and free from bias.
We base our findings and recommendations on reliable and verifiable evidence, unencumbered by external pressure and undue influence.



Audits, Inspections, and Evaluations

We conduct independent and objective audits and evaluations of PBGC's programs and activities to ensure they operate economically, efficiently, and effectively.



Annual Statement of Compliance for Special Financial Assistance Needs Improvement

The design of PBGC's ASOC policy and procedures is generally sufficient to ensure compliance with ERISA. However, there are a few areas where improvements could enhance the process. We made eight recommendations to improve the ASOC policies and procedures. The Corporation agreed with the recommendations and plans to complete all actions by September 30, 2025.



Fiscal Year 2024 and 2023 Financial Statements

Independent auditors Ernst and Young found PBGC's financial statements, including the notes to the financial statements, were presented fairly in all material respects in accordance with generally accepted accounting principles of the United States. This was the 32nd consecutive unmodified financial statement audit opinion.



Top Management Challenges Facing PBGC in Fiscal Year 2025

In accordance with the Reports Consolidation Act of 2000, we issued the Inspector General's summary of the top management and performance challenges facing the PBGC in Fiscal Year 2025 and briefly assessed management's progress in addressing these challenges. Our office identified four management and performance challenges: (1) strengthening PBGC's information technology; (2) Contracting Officers' Representatives' oversight of contracts; (3) human capital: mission critical skills; and (4) acquisition challenges.

Audit Accomplishments



3

Evaluation Reports Issued



4

Financial Audits Issued

To access our full library of reports and recommendations, visit
<https://oig.pbgc.gov/index.html>



Statistical Data

Type of Reports

Performance audits

provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits follow Generally Accepted Government Auditing Standards.

$$\frac{0}{0}$$

Financial audits

are assessments that determine whether the reported financial conditions, results, and use of resources are presented fairly in accordance with recognized criteria.

$$\frac{4}{10}$$

Completed Reports

Recommendations

$$\frac{3}{13}$$

Evaluations

provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Evaluations follow the Quality Standards for Inspection and Evaluation by CIGIE.

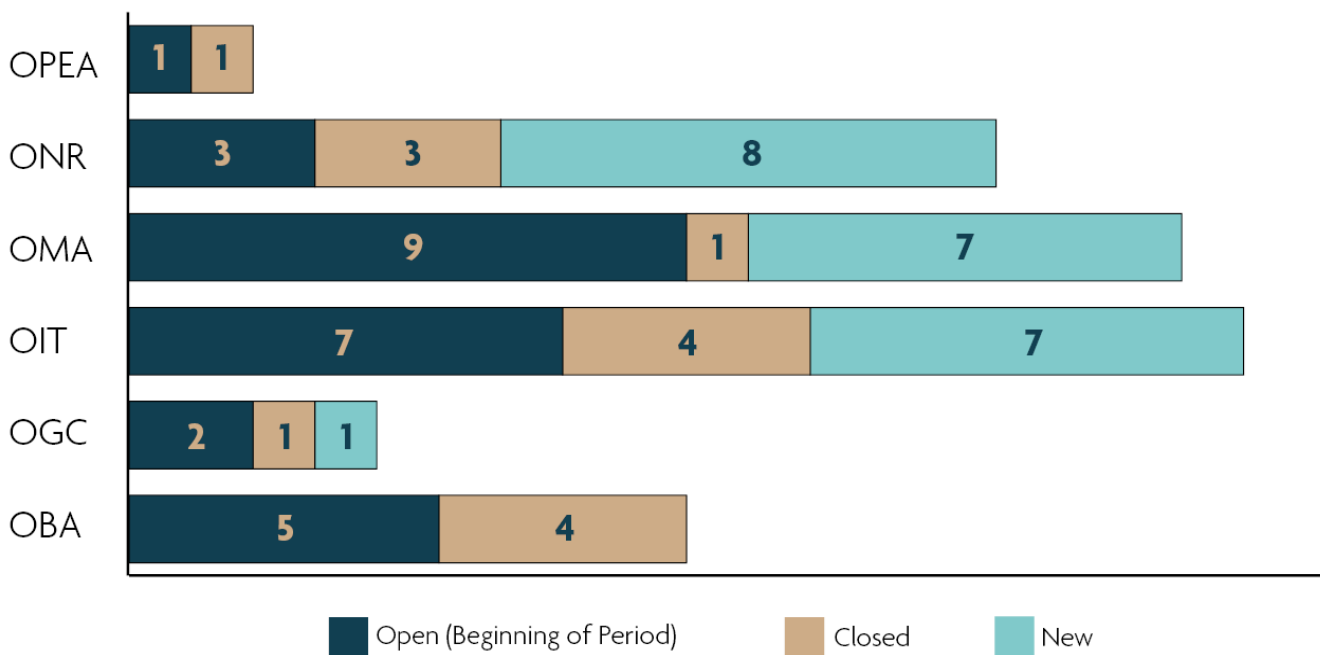
$$\frac{1}{0}$$

Special Reports

provide information on emerging issues to management's attention through a Risk Advisory or Management Alert or provide the public and stakeholders with contextual information through a White Paper. These products can have suggestions, which are non-formal recommendations.

Open Recommendations

Status of Department Recommendations as of March 31, 2025



**As of March 31, 2025, PBGC OIG has
36 open recommendations included in
10 reports issued since FY 2021.**

A recommendation is opened on the date the audit report is issued. The recommendation is considered “resolved” and remains open until the auditee completes the corrective action and provides PBGC OIG with sufficient supporting evidence of the actions taken. A recommendation is closed after the auditee has agreed with the recommendation and takes appropriate corrective action, and provides PBGC OIG with sufficient supporting evidence to demonstrate the actions corrected the issue.

Summary of Outstanding Recommendations

Report No.	Issue Date	Report Title	Total Report Recs	Open Recs 03/31/2025	Potential Cost Savings
2021-01	12/08/2020	Internal Controls Must Be Strengthened to Promote Procurement Integrity	3	1	4,800,000 ⁴
2021-06	02/01/2021	Fiscal Year 2020 Financial Statement Audit Management Letter Report	9	1	0
2024-06	01/31/2024	Pension Benefit Guaranty Corporation FY 2023 Federal Information Security Modernization Act of 2014 Report	3	1	0
2024-11	09/26/2024	PBGC Needs to Strengthen Oversight Controls Between Contracting Officer Representatives and Other Technical Personnel	10	9	1,442 ⁵
2024-12	09/26/2024	Projected Benefit Payments in SFA Applications	2	1	250,000,000 ⁴
2024-13	09/27/2024	Evaluation of PBGC's Inclusion of Anti-Gag Provision in Required Agreements	3	1	0
2025-02	10/31/2024	Pension Benefit Guaranty Corporation's Information Security Program and Practices for Fiscal Year 2024	6	6	0
2025-05	12/18/2024	Fiscal Year 2024 Financial Statement Audit Management Letter Report	4	4	0
2025-06	03/13/2025	Evaluation of PBGC's Contract Type Justifications	5	5	0
2025-08	03/27/2025	PBGC's SFA Program's Policies and Procedures for the Annual Statement of Compliance Need Improvement	8	7	0

⁴These identified funds are questioned costs. Questioned costs include funds identified as unnecessary or unreasonable.

⁵This identified potential savings is categorized as funds put to better use. Funds put to better use is a broad definition, but generally includes any identified savings from implementation of a recommendation.



50 Years

Protecting America's Pensions



The Road to PBGC

In the decades prior to PBGC's founding in 1974, pensions were gradually recognized and seen as a critical tool in retirement security.

The Revenue Acts of 1921, 1926, and 1942 allowed employer tax deductions for pension contributions, encouraging the growth of employer-sponsored pension plans, and introducing greater oversight of plans. In 1958, the Welfare and Pension Plans Disclosure Act (WPPDA) required employers to disclose details about the pension plans they provide their employees.

In 1961, President John F. Kennedy launched the Committee on Corporate Pension Funds to explore, among other issues, how pension plans could better support workforce productivity and mobility. In 1962, Congress amended the WPPDA, enforcing the prevention of mismanagement and abuse of employee benefit plan funds. In 1963, The Studebaker automobile plant in South Bend, Indiana closed. Thousands of workers were left without their pensions, driving a movement that demanded new legislation to protect America's workers. Four years later, Senator Jacob K. Javits introduced legislation to reform pension laws.

In 1972, the National Broadcasting Company aired "Pensions: The Broken Promise," a Peabody award-winning documentary that exposed abuses in the pension system and drew national attention to the issue.

Peer Reviews



Audit

Generally accepted government auditing standards require any organization conducting audits in accordance with those standards to undergo an external peer review at least once every three years.

These peer reviews conclude in a rating of *pass*, *pass with deficiencies*, or *fail*. A rating of *pass* signifies that the audit organization's system of quality control has been suitably designed to provide the organization with reasonable assurance of performing and reporting in conformity with applicable professional standards, legal, and regulatory requirements in all material respects.

Inspection and Evaluation

The CIGIE Quality Standards for Inspection and Evaluation require members of CIGIE that conduct inspections or evaluations under those standards to undergo an external peer review every three years. Inspection and evaluation peer review reports do not include an overall rating (such as *pass* or *fail*) but state whether the reviewed OIG's policies and procedures were generally consistent with CIGIE standards and whether the OIG's work generally complied with those standards.

Investigation

CIGIE's Qualitative Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspector General establish an independent external evaluation process for investigative operations.

The objective of an investigative peer review is to determine whether internal control systems are in place and operating effectively to provide reasonable assurance that an OIG's investigative operations comply with CIGIE's Quality Standards for Investigations. Reviewed OIGs are assessed a rating of *compliant* or *non-compliant*.

To ensure adherence to relevant professional standards, each OIG is subject to periodic external peer reviews. Information on peer reviews conducted by and of the PBGC OIG is provided below.

Copies of peer review reports of PBGC OIG are available on our website at <https://oig.pbgc.gov/reviews.html>

Peer Reviews of PBGC OIG



Type of Review	Date of Peer Review	Reviewing OIG	Rating	Recommendations
Audit	March 18, 2025	Railroad Retirement Board	Pass	None
Evaluation	March 28, 2024	Federal Communications Commission	In Compliance	None
Investigation	August 22, 2024	U.S. Agency for International Development	In Compliance	None

Peer Reviews by PBGC OIG



Type of Review	Date of Peer Review	Reviewed OIG	Rating	Recommendations
Audit (Modified Peer Review)	September 27, 2022	Federal Communications Commission	None	Yes
Evaluation	March 15, 2023	Equal Employment Opportunity Commission	In Compliance	None
Investigation	March 27, 2023	National Archives and Records Administration	In Compliance	None

Investigations

The OIG has broad discretion to carry out investigations related to PBGC programs and operations that the IG determines are necessary or appropriate.

The range of matters falling within the OIG’s investigative purview is expansive, encompassing potential violations of law, rules, or regulations; mismanagement; abuse of authority; and more.

All investigations are carried out in accordance with the CIGIE’s Quality Standards for Investigations. Significant issues for which we completed or concluded an investigation during this reporting period include:

Investigative Activities



404

Hotline contacts received



1

Criminal investigations referred for prosecution



2/3

Convictions/Sentencings



10

Subpoenas Issued

Elder Financial Exploitation and Identity Theft Leads to Record Conviction for PBGC OIG

A Fayetteville man was sentenced to more than seven years in prison for impersonating an elderly man to steal his federal benefits and commit fraud. On August 19, 2024, the individual pled guilty to aggravated identity theft, and wire fraud and along with the prison time was ordered to pay over 82,000 dollars in restitution. According to court documents, the defendant gained access to the personal identifying information of the victim, an elderly man who was in poor physical and mental health. From early 2021 through 2022, the defendant, along with his girlfriend and co-defendant, impersonated the victim to steal his PBGC and Social Security benefits, open bank accounts, purchase vehicles, and take out life insurance policies all in the victim's name. After the victim died in May 2022, the pair continued to impersonate the victim to apply for lines of credit on the victim's home. The co-defendant was also prosecuted and pled guilty to conspiracy to commit wire fraud. She was later sentenced to 18 months in prison, 3 years supervised probation and ordered to pay 19,000 dollars in restitution.

“PBGC OIG remains steadfast in its commitment to working with Federal prosecutors and law enforcement partners to aggressively pursue those who engage in activities that threaten the financial safety of the aging population” said Inspector General Nicholas J. Novak of the PBGC OIG. “I commend the diligence of the PBGC OIG investigatory team for bringing detailed aspects of this case to light, and the work of the U.S. Attorney’s Office to ensure accountability and justice.”



Statistical Data

Investigative Workload

PBGC OIG investigates and refers a variety of matters for criminal prosecution, including cases involving theft of pension benefits, identity theft, bank fraud, wire fraud, and forgery.



59

Investigations/Complaints/
Hotlines Opened
During Reporting Period



64

Ongoing
Investigations



63

Total Investigations/
Complaints/Hotlines Closed
During Reporting Period

Metrics Used to Develop Investigative Statistical Data



PBGC OIG maintains an Investigative Case Management System to track the life of an investigation. It captures hundreds of data points, including dates, significant investigative steps, referrals, and outcomes (criminal, civil, and administrative). It is also the repository for reports of investigation, stakeholder communications, and management implication reports. Each statistic and outcome reported is validated against supporting legal documents.

Investigative Reports and Referrals



Investigative referrals for criminal prosecution

Referred to the Department of Justice: 1

Accepted: 0

Pending: 1

Declined: 2

Referred to State/Local Prosecutor's Office: 0

Accepted: 0

Declined: 0

Indictments, informations from prior referrals

Indictments: 0

Informations: 1

Arrests: 0

Investigative memos

PBGC OIG did not distribute any investigative memos.

Administrative

Informal Referrals to PBGC: 8

Formal Referrals to PBGC: 26

Referred to Outside Agency: 11

OIG Referrals to OBA for Administrative Recovery

Year	Amount Referred	Recovered To Date ⁶
2020	\$120,749	\$58,151
2021	\$211,430	\$162,632
2022	\$172,245	\$110,632
2023	\$27,052	\$5,405
2024	\$99,722	\$95,624
Total	\$631,198	\$437,658

⁶ Referrals to OBA for recovery of benefits payments are from closed investigations either declined for prosecution or a determination was made that no fraud had occurred. Once referred, the recoveries can include write-offs as authorized by PBGC's Office of General Counsel and collections actions taken by the U.S. Treasury on behalf of PBGC.

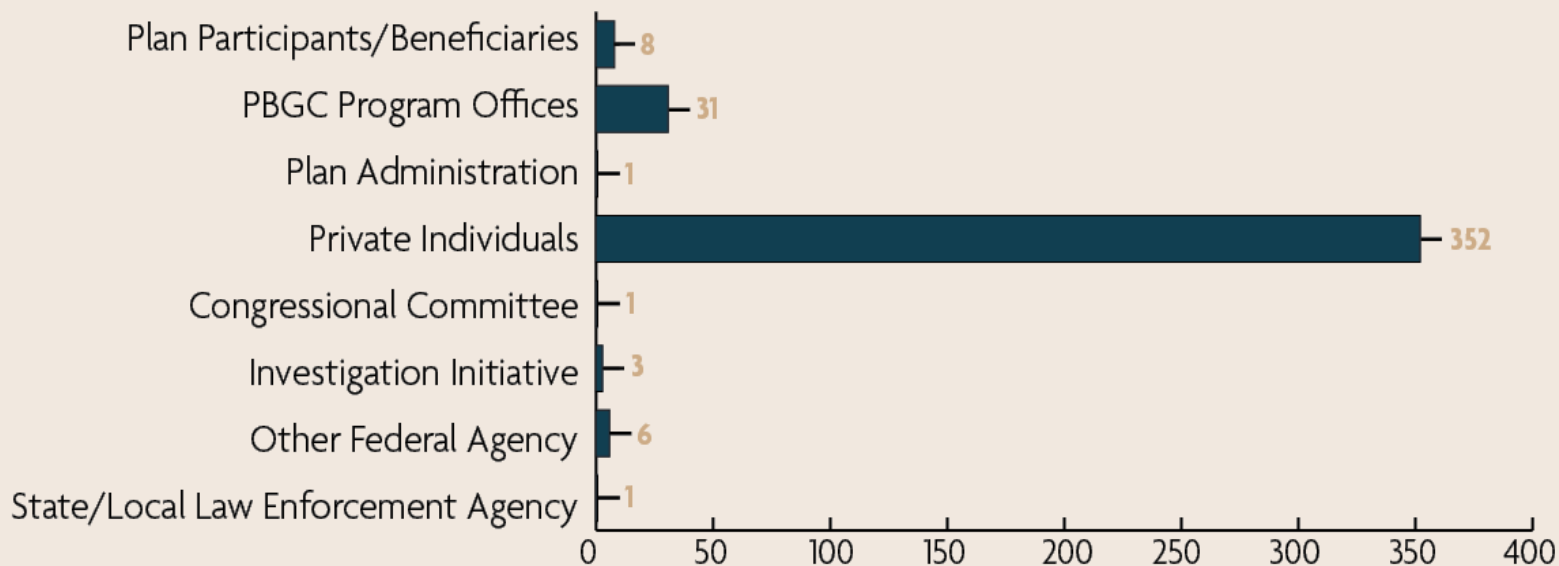


Hotline Complaint Center

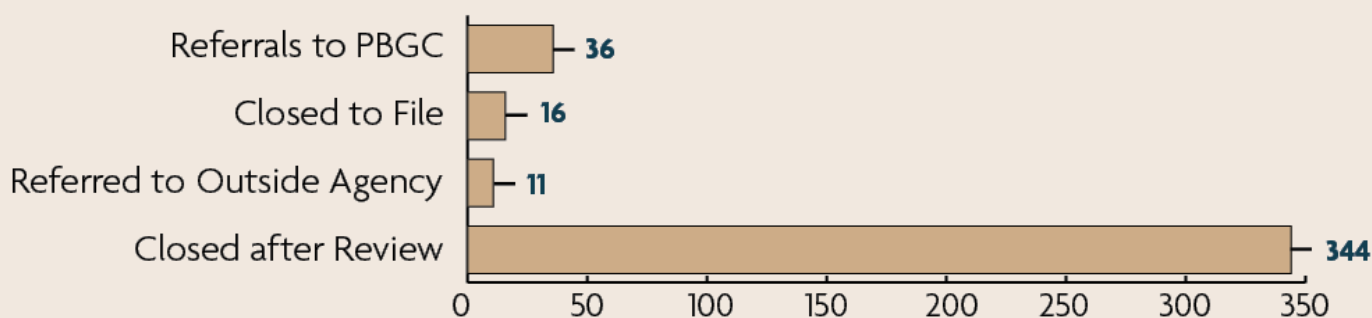
PBGC OIG maintains a Hotline Complaint Center for receiving allegations of fraud, waste, abuse, or mismanagement in PBGC programs or operations. Allegations may be reported 24 hours a day, 7 days a week by PBGC employees, contractors, or the general public.

We received a total of **403** hotline contacts and closed **407** this period.

Hotline Contacts Origination for the Period



Hotline Contacts Closed this Period





OFFICE OF INSPECTOR GENERAL HOTLINE

Suspect Fraud, Waste, Abuse, or Mismanagement? **LET'S TALK!**

**Workers and Retirees
are Counting on You!**



Call the Hotline at 1-800-303-9737

Or write to:

**Pension Benefit Guaranty Corporation
Office of the Inspector General Hotline**

445 12th St SW

Washington, DC 20024-2101

Website: oig.pbgc.gov

or email to:

hotline@pbgc.gov

Your report can be made anonymously or in confidence.

Reporting Requirements



Reports with no agency comment within 60 days

We work closely with the Corporation to ensure timely responses to our draft audit reports. All agency responses were received within 60 calendar days.



Management decisions on previously issued audits

PBGC did not have any recommendations from a prior period with no management decision.



Attempts to interfere with PBGC OIG independence

We did not encounter any instances where PBGC attempted to interfere with our independence.



Audits closed but not disclosed to the public

It is our practice to post all closed non-sensitive audits and evaluations on our public website. We generally do not provide or post on our website the full text of reports that would disclose specific vulnerabilities that could be exploited; typically, such reports are IT-related. During this period, we did not have any restricted access reports.



Compliance with Federal Financial Management Improvement Act

PBGC is in compliance with the Federal Financial Management Improvement Act.



Information or assistance refused by PBGC

PBGC did not unreasonably refuse information or assistance.



Whistleblower retaliation

PBGC OIG did not close any investigations in which a PBGC official was found to have engaged in whistleblower retaliation.



Investigations involving senior Government employees where misconduct was substantiated

There were no investigations involving senior Government employees where misconduct was substantiated.



Investigations involving senior Government employees that were closed but not disclosed to the public

There were no investigations involving senior Government employees that were closed but not disclosed to the public.



Human trafficking

In accordance with the Trafficking Victims Prevention and Protection Reauthorization Act (Public Law 117-348), PBGC OIG is required to report on its human trafficking investigations.

Allegations received: 0

Referred: 0

Accepted: 0

Declined: 0

Index

Reporting Requirements

Index of reporting requirements under the Inspector General Act of 1978, as amended.

Section	Requirement	Page
5(a)(1)	Significant problems, abuses, and deficiencies	5, 13
5(a)(2)	Prior recommendations for which corrective actions have not been completed	8-9
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Acronym Glossary

Acronym Meaning

ASOC	Annual Statement of Compliance
CIGIE	Council of the Inspectors General on Integrity and Efficiency
ERISA	Employee Retirement Income Security Act of 1974
FY	Fiscal Year
IG Act	Inspector General Act of 1978
OBA	Office of Benefits Administration
OGC	Office of the General Counsel
OIG	Office of Inspector General
OIT	Office of Information Technology
OMA	Office of Management and Administration
ONR	Office of Negotiations and Restructuring
OPEA	Office of Policy and External Affairs
PBGC	Pension Benefit Guaranty Corporation
SFA	Special Financial Assistance