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November 30, 2011

The Honorable Hilda L. Solis
Secretary of Labor
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

The Honorable Tim Geithner
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

The Honorable John E. Bryson
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Avenue, N.W.
Washington, DC 20230

Dear Secretary Solis, Secretary Geithner, and Secretary Bryson:

Given your positions on the Board of Directors of the Pension Benefit Guaranty Corporation (PBGC), I am writing to express my grave concern over the failure of PBGC to ensure a fair and accurate accounting of the pension promises made to this country's workers, retirees, and their families. As you are aware, the PBGC Office of the Inspector General (OIG) has released an evaluation report focusing on the PBGC's mishandling of the United Airlines pension plan terminations. The report finds "serious flaws in each of the original plan asset audits intended to establish the fair market value of United Airlines plans assets." The report notes that, while PBGC is revaluing those plan assets, it has thus far been "unsuccessful in determining" their fair market value. The proper valuation of terminated pension plan assets and liabilities is critical to assuring that workers and retirees will receive the accurate amount of pension benefits to which they are entitled.

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Additionally, OIG identified that “each of the [United Airlines plan asset] audits failed to meet applicable professional standards, contained myriad obvious errors and omissions as well as unsupported conclusions.” This confirms what OIG had previously reported to me as Chairman, and which prompted the more comprehensive investigation, that PBGC had accepted a number of poor quality and mistake-ridden audits associated with the United Airlines terminations. The OIG’s evaluation concludes that over a six-year period PBGC spent \$26 million on these botched audits and services from a particular contractor, Integrated Management Resources Group, Inc. (IMRG). Moreover, it is my understanding in communications with OIG that IMRG and its contracts with PBGC have been the subject of prior OIG, Government Accountability Office, and Department of Justice interest. For this reason, I am copying the United States Attorney General to bring the present evaluation report involving IMRG to his attention.

During the course of the OIG’s investigation, PBGC began efforts to correct its valuations of the United Airlines plans. Yet the OIG reports that, during those efforts, PBGC contracted with a Certified Public Accounting (CPA) firm and “once again accepted and paid for UAL plan asset valuation work that did not accurately value plan assets.” Among other things, “PBGC agreed to the CPA firm’s use of a flawed methodology that was inconsistent with federal regulations.” This finding does not instill confidence that current efforts underway at PBGC to remedy these problems will be finished in a timely and accurate fashion.

Today’s report comes on the heels of similar findings related to PBGC’s handling of the National Steel pension plan termination. The OIG has found systemic problems in PBGC’s plan asset valuation work that goes beyond these particular plans, involving both contractor work and PBGC’s review and oversight of that work. In fact, OIG believes IMRG had worked on at least eight of the ten largest pension plan terminations in the PBGC’s history.

The United Airlines workers and retirees have complained repeatedly about the handling of their pension plan terminations. The OIG’s investigation confirms that these individuals had every right to be concerned.

I cannot adequately put into words how troubled I am by the findings of the OIG’s report. Proper auditing of a pension plan’s assets and liabilities is an essential function of PBGC. Workers and retirees depend on PBGC to do its job correctly. Over the years, countless workers gave their working lives to their companies and through no fault of their own, were stripped of their retirement plans. PBGC and its Board owe these workers and retirees prompt and professional treatment.

I understand that these problems did not develop overnight. They have been brewing for many years. Now that they have been uncovered, it is time to clean up these processes post haste.

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I believe this matter requires your immediate intervention. I ask that you work with OIG and PBGC to identify all flaws in the valuation and benefit calculation work performed on the United Airlines pension plans – as well as all other plans handled since the inception of IMRG’s work on these matters – and make all corrections necessary to protect plan participants. I ask that you ensure that PBGC has sufficient resources and expertise available and in use to perform this work accurately. I expect that you will hold all parties responsible for these botched audits and miscalculations fully accountable. And I ask for your commitment that any plan participant underpaid as a result of these failures will be made whole with interest and without delay.

Additionally, I respectfully request a response within 14 days providing a timeline for when United Airlines plan participants will know whether and by how much their benefits were affected by PBGC’s failures.

I look forward to your immediate response and your assistance in overseeing the activities of the PBGC and ensuring that the millions of workers who depend on the PBGC for their monthly benefits receive every penny to which they are entitled. If you have any questions please feel free to contact me or have your staff contact Kate Ahlgren my investigative counsel at 202-226-2068.

Sincerely,



GEORGE MILLER

Senior Democratic Member

cc: The Honorable Eric Holder
Attorney General
U.S. Department of Justice

The Honorable John Kline
Chairman
Committee on Education and the Workforce