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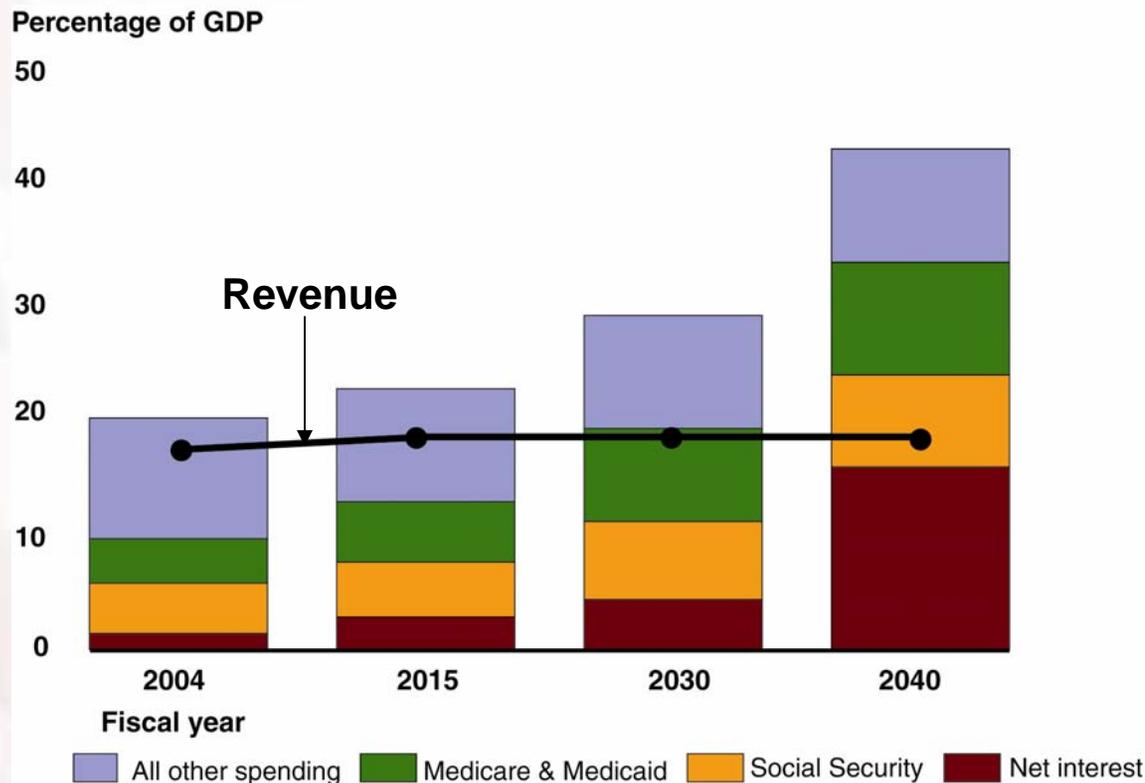
# **Private Pensions: PBGC and Long-Term Budgetary Challenges**

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**Statement of David M. Walker  
Comptroller General of the United States  
June 9, 2005**

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# Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP After 2005 and All Expiring Tax Provisions are Extended

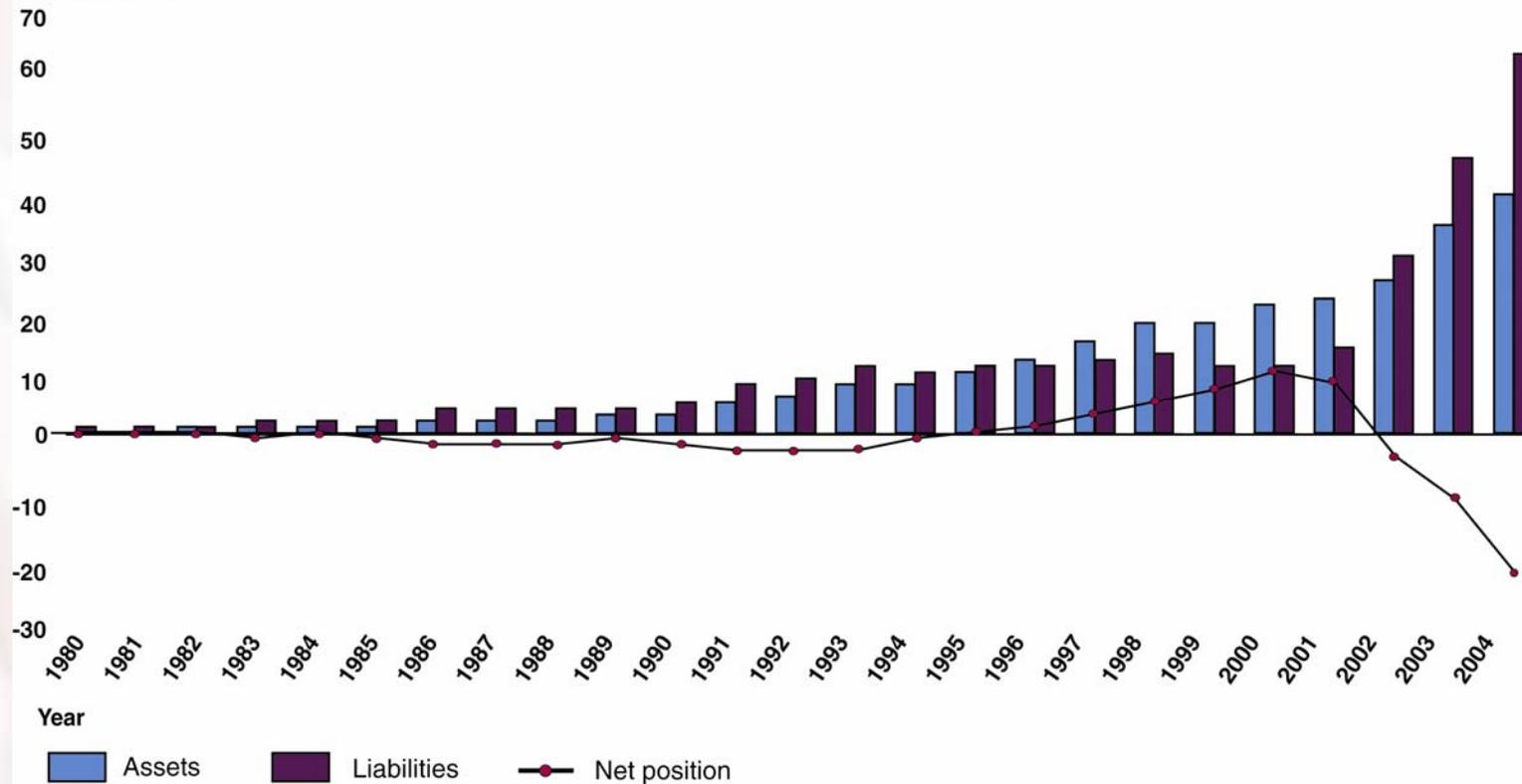


Source: GAO's March 2005 analysis

Notes: Although expiring tax provisions are extended, revenue as a share of GDP increases through 2015 due to (1) real bracket creep, (2) more taxpayers becoming subject to the AMT, and (3) increased revenue from tax-deferred retirement accounts. After 2015, revenue as a share of GDP is held constant.

# Financial Position of PBGC Single-Employer Program

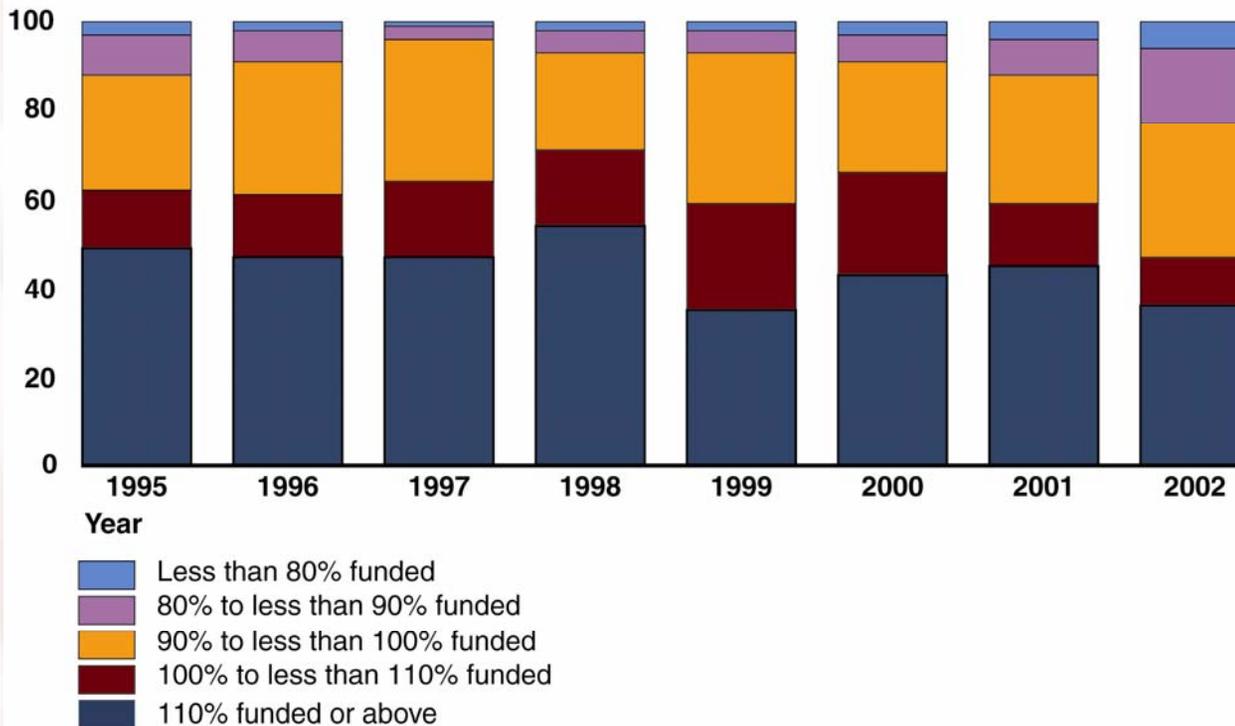
Dollars in billions



Source: PBGC.

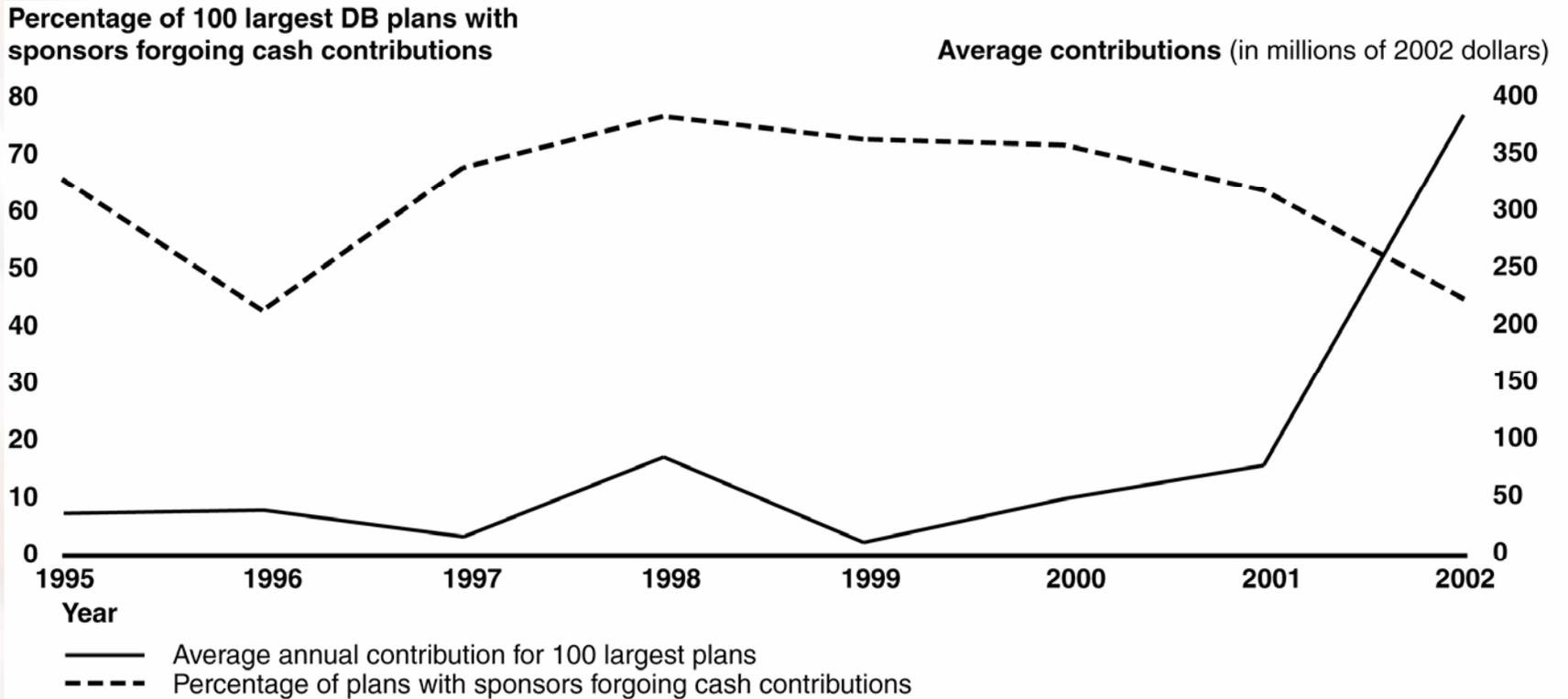
# Funding Levels among the Annual 100 Largest DB Plans, 1995-2002

Percentage of 100 largest DB plans



Source: GAO analysis of PBGC Form 5500 research data.

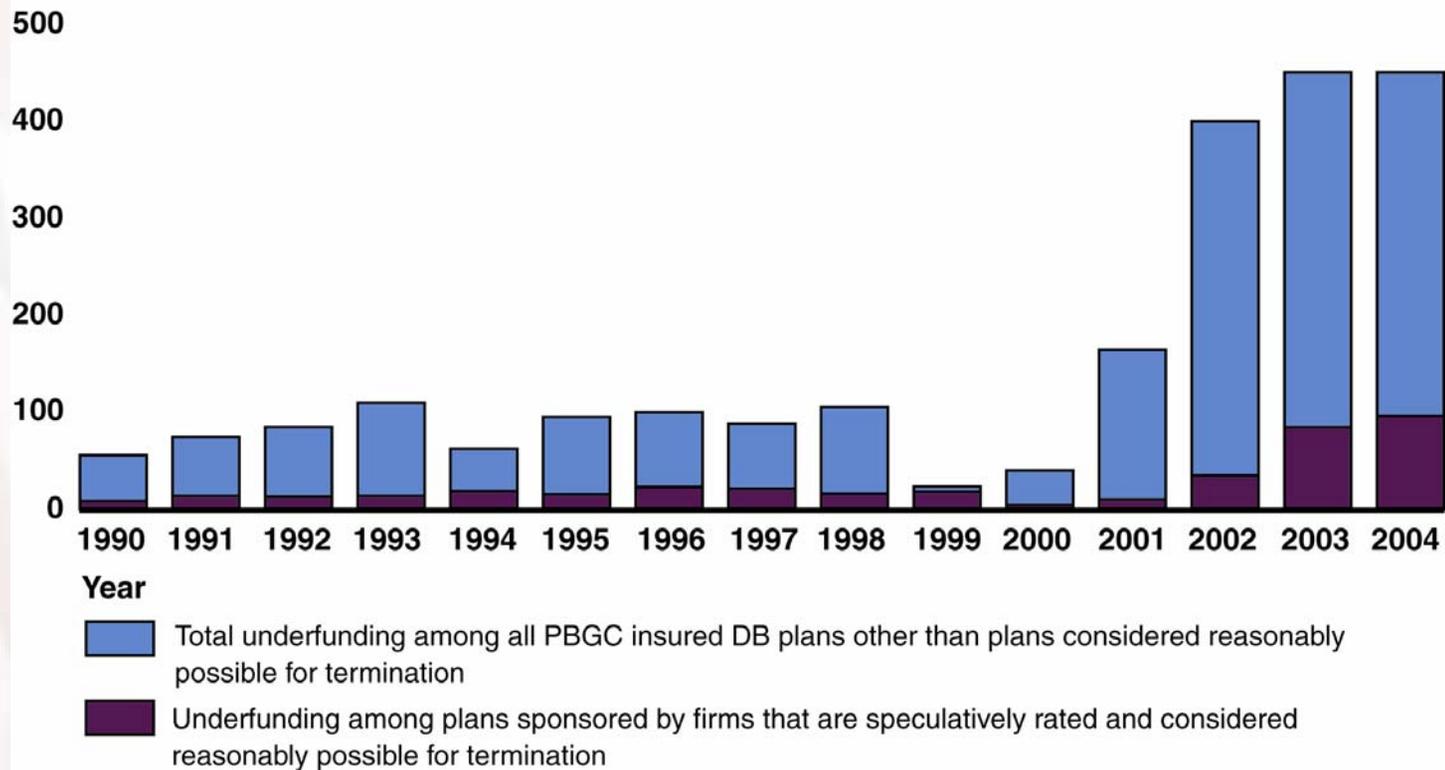
# Most Large Plans Received No Annual Cash Contribution, 1995-2002



Source: GAO analysis of PBGC Form 5500 research data.

# Total Underfunding among All DB Plans, and Those Considered “Reasonably Possible” for Termination

Dollars in billions



Source: PBGC 2003 annual data book and PBGC 2004 annual report.

# Two Large Underfunded Plans Made No Cash Contributions in Years Prior to Termination

**Funding Statistics for Bethlehem Steel and LTV Steel Plans, 2000-2002**

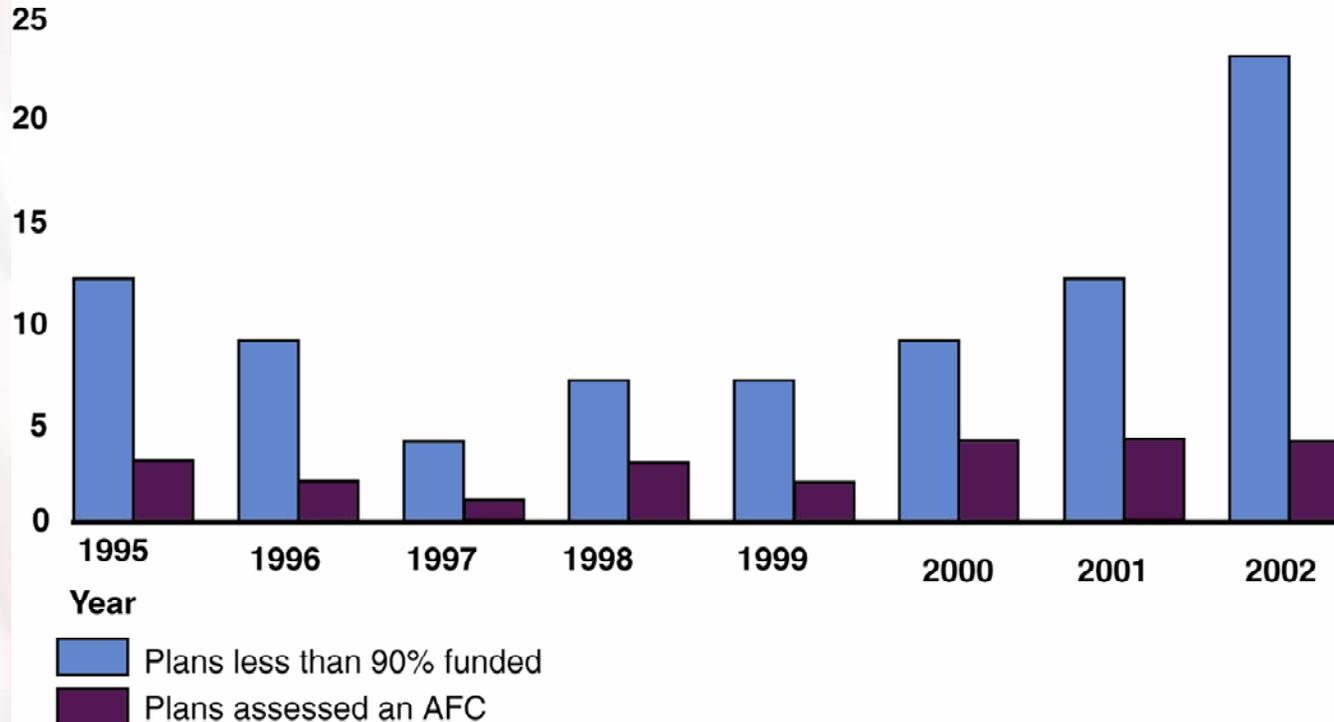
(Figures in millions of dollars)

Year	Bethlehem Steel			LTV Steel		
	2000	2001	2002	2000	2001	2002
Additional funding charge	0	0	181.2	2.2	73.3	79.4
Cash contribution	0	0	0	0	0	0
End-of-year FSA credit balance	710.8	508.3	121.7	1257.3	1169.2	1039.1
Reported funding	85.8%	83.9%	85.2%	88.1%	81.6%	58.4%
Actual funding at termination			48.8%			51.9%

Source: GAO Analysis of PBGC Form 5500 research data.

# Most Plans Less Than 90 Funded Were Not Assessed an AFC

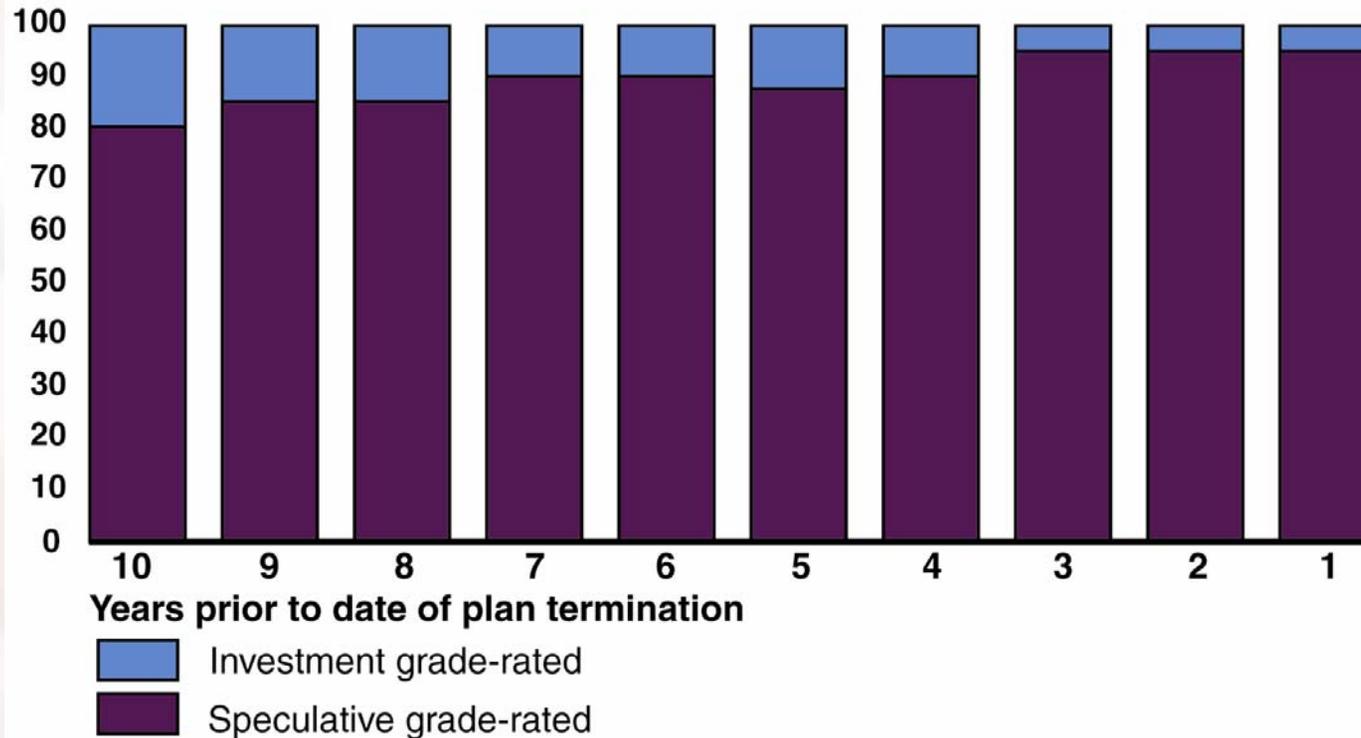
Percentage of 100 largest DB plans



Source: GAO analysis of PBGC Form 5500 research data.

# Over 80 Percent of Sponsors Associated with PBGC's Largest Termination Claims Had Speculative Grade Ratings 10 Years Prior to Termination

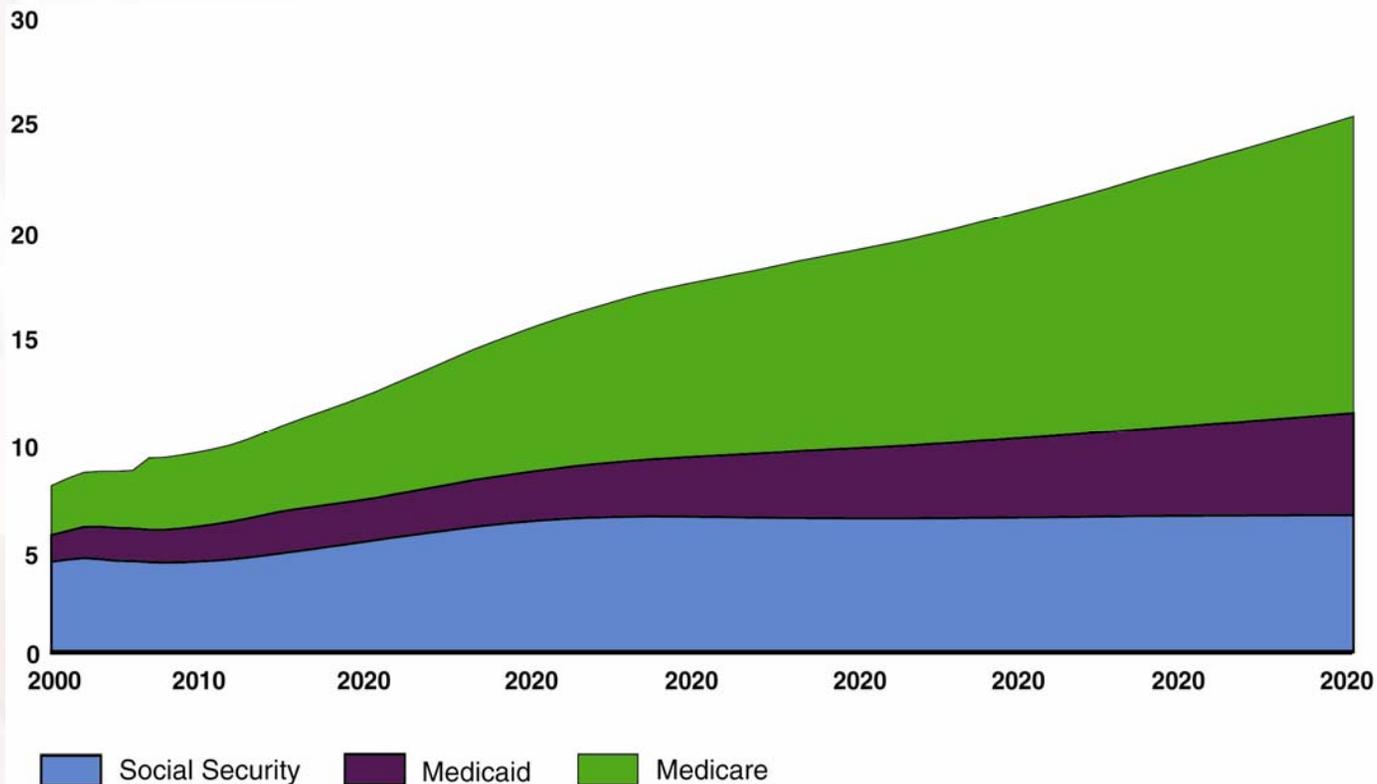
Percentage of plan sponsors associated with PBGC's largest claims



Source: PBGC.

Note: These largest claims represent the 41 largest claims in PBGC history in which the rating of the plan sponsor was known.

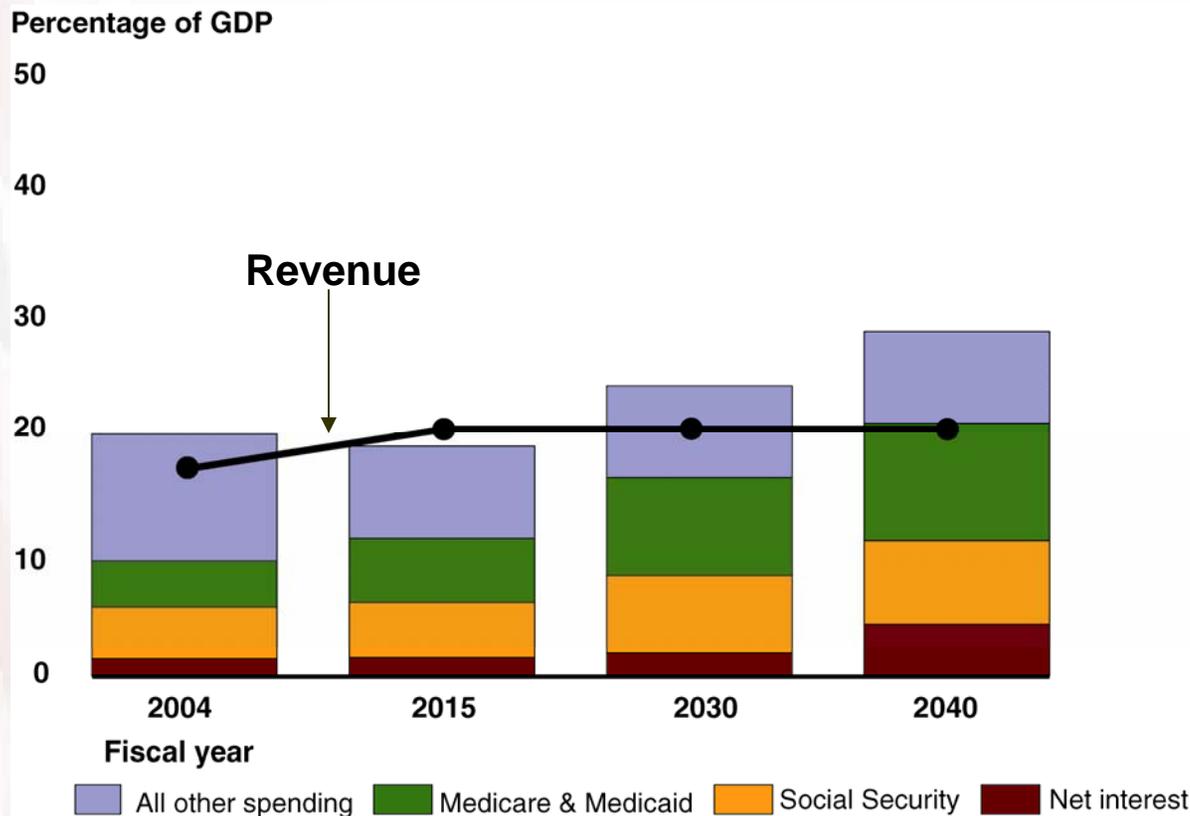
# Social Security, Medicare, and Medicaid Spending as a Percent of GDP



Source: GAO analysis based on data from the Office of the Chief Actuary, Social Security Administration, Office of the Actuary, Centers for Medicare and Medicaid Services, and the Congressional Budget Office.

Note: Social Security and Medicare projections based on the intermediate assumptions of the 2005 Trustees' Reports. Medicaid projections based on CBO's January 2005 short-term Medicaid estimates and CBO's December 2003 long-term Medicaid projections under mid-range assumptions.

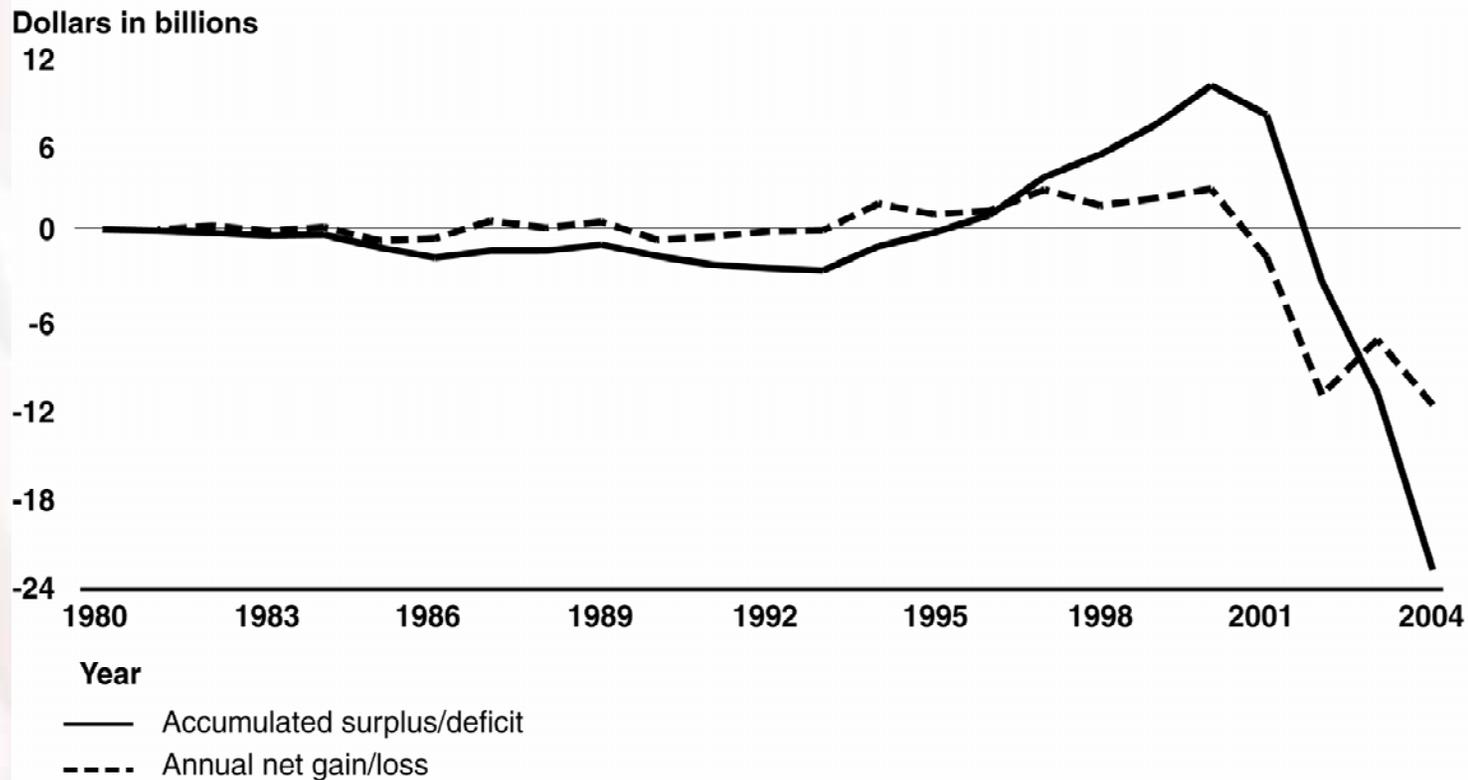
# Composition of Spending as a Share of GDP Under Baseline Extended



Source: GAO's March 2005 analysis.

Notes: In addition to the expiration of tax cuts, revenue as a share of GDP increases through 2015 due to (1) real bracket creep, (2) more taxpayers becoming subject to the AMT, and (3) increased revenue from tax-deferred retirement accounts. After 2015, revenue as a share of GDP is held constant.

# Accumulated Surplus/Deficit and Annual Net Gain/Loss of PBGC Single-Employer Program



Source: the Pension Benefit Guaranty Corporation.

# Two Large Underfunded Plans Made No Cash Contributions in Years Prior to Termination

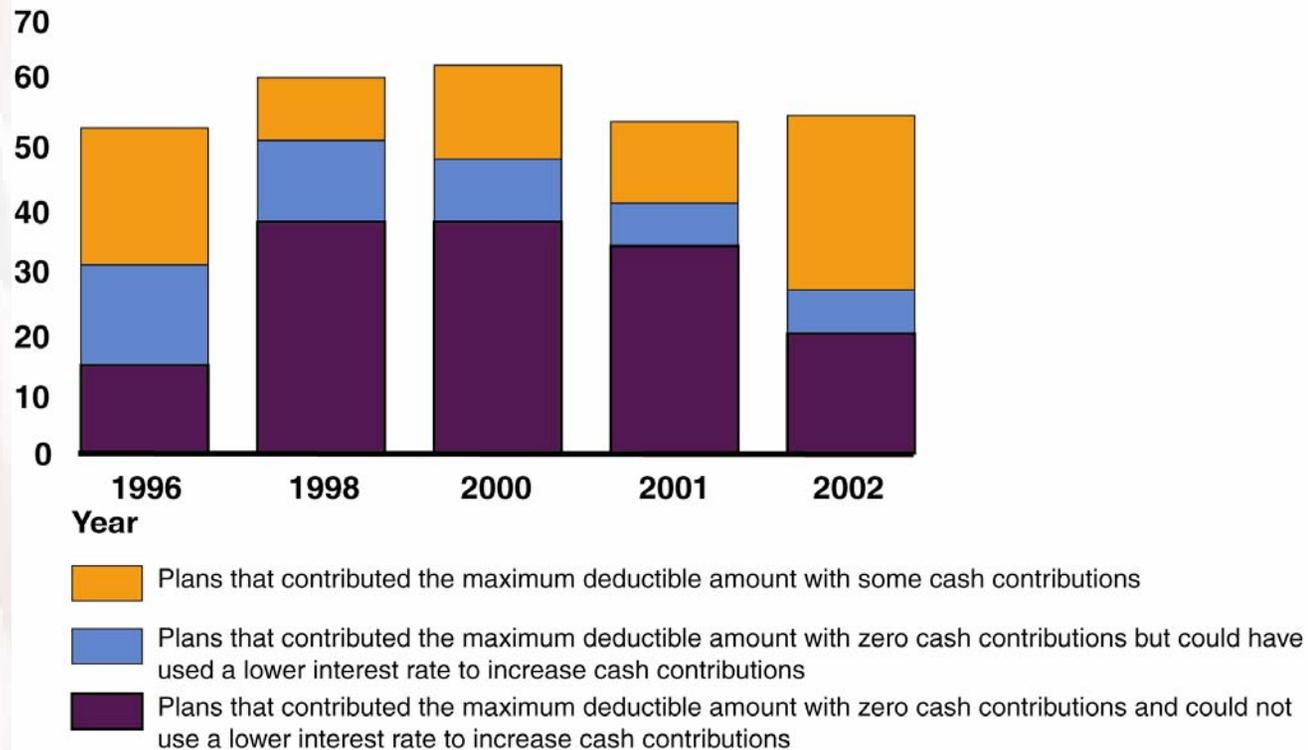
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(Figures in millions of dollars)

Year	2000	Bethelhem Steel			LTV Steel		
		2001	2002	2000	2001	2002	
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Cash contribution	0	0	0	0	0	0	
End-of-year FSA credit balance	710.8	508.3	121.7	1257.3	1169.2	1039.1	
Reported funding	85.8%	83.9%	85.2%	88.1%	81.6%	58.4%	
Actual funding at termination			48.8%			51.9%	

Source: GAO Analysis of PBGC Form 5500 research data.

**Percentage of 100 largest DB plans**



Source: GAO analysis of PBGC Form 5500 research data matched to PBGC study on maximum deductible cash contributions.