United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510–6250

June 9, 2009

The Honorable Vincent K. Snowbarger
Acting Director
Pension Benefit Guaranty Corporation
1200 K Street, NW, 12th Floor
Washington, DC 20005-4026

Dear Mr. Snowbarger:

As part of the Subcommittee's ongoing oversight of federal contracting, I am writing to request information relating to contracting at the Pension Benefit Guaranty Corporation.

The Pension Benefit Guaranty Corporation (PBGC) currently relies upon a staff dominated by contractors. As of fiscal year 2007, the PBGC employed approximately 2,300 individuals. Of those, about 1,500 (65%) were contractors. In 2008, the PBGC spent approximately $297 million – 75% of its administrative budget – on contractors.[1]

In testimony before the Senate Committee on Aging on May 20, 2009, you indicated that you feel the PBGC's reliance on contractor employees is appropriate. You also told the Committee that the PBGC had conducted a cost-benefit analysis that justified its use of contractors.[2]

I have serious concerns about the PBGC's contracting policies. The Government Accountability Office has criticized the PBGC in the past for failing to include performance incentives in its contracts and conducting little oversight after the contracts have been awarded, though progress has reportedly been made on these fronts.[3] GAO has also found that PBGC does not effectively consider staffing in its long-term planning process. In testimony prepared for the May 20 hearing, GAO stated:

> PBGC's strategic plan does not document how acquisition function supports the agency's missions and goals. Further, although contracting is essential to PBGC's

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[1] U.S. Government Accountability Office, *Pension Benefit Guaranty Corporation: Some Steps Have Been Taken to Improve Contracting, but a More Strategic Approach is Needed* (Aug. 2008) (GAO-08-871).

[2] U.S. Senate Committee on Aging, *Hearing on No Guarantees: As Pension Plans Crumble, Can PBGC Deliver?* 111th Cong. (May 20, 2009).

[3] U.S. Government Accountability Office, *Pension Benefit Guaranty Corporation: Financial Challenges Highlight Need for Improved Governance and Management* (May 20, 2009) (GAO-09-702T).

mission, we found that the Procurement Department is not included in corporate-level strategic planning.[4]

The investigation into alleged contracting abuses by former PBGC Director Charles Millard also raises questions.

As acting Director of the Pension Benefit Guaranty Corporation, you have the responsibility for ensuring that the corporation is ready to meet the significant challenges that face it as an increasing number of companies terminate their private pension plans. The mission of the PBGC to protect workers and retirees in such plans has never been more important than it is right now, and I appreciate your service to that mission. However, I want to ensure that the PBGC is managed as expertly, efficiently, and cost-effectively as possible. I hope you will work with me towards achieving that goal.

I request that you provide my office with the following information:

1. The cost-benefit analyses that have been used to determine whether to hire contractors as opposed to full-time government employees;

2. A comparison of the compensation of full-time PBGC employees with that of PBGC contractors; and

3. The contract numbers for all contracts used by PBGC to acquire contractor employees.

I request that you provide this information as soon as possible, but in no case later than **July 15, 2009**. If you determine that you will be unable to make a complete production by this date, please contact Subcommittee staff to discuss possible modifications to this schedule.

The jurisdiction of the Subcommittee on Contracting Oversight is set forth in Senate Rule XXV clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 73 (111th Congress). An attachment to this letter provides additional information on how to respond to the Subcommittee's request.

Please contact Margaret Daum with the Subcommittee staff at (202) 224-8316 with any questions.

Sincerely,

Claire McCaskill

Senator Claire McCaskill
Chairman
Subcommittee on Contracting Oversight

Enclosure

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[4] *Id.*