

# U.S. pension agency's deficit widens to \$22 billion

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Nov. 13, 2009, 1:27PM

The Pension Benefit Guaranty Corp. said its deficit almost doubled to \$22 billion in fiscal 2009 and its exposure to future losses from weak companies more than tripled.

The agency, which insures company pension plans, reported a \$11.2 billion deficit for the end of fiscal 2008. The agency said it had a \$33.5 billion deficit at mid-year 2009.

"Exposure to possible future terminations means that we could face much higher deficits in the future," said Acting Director Vince Snowbarger. "We won't fail to meet our obligations to retirees, but ultimately we need a long-term solution to stabilize the pension insurance program."

The report shows that the agency's potential exposure to future pension losses from financially weak companies increased to about \$168 billion from \$47 billion in fiscal year 2008.

Delphi Corp., the auto-parts maker, and Nortel Networks Corp.'s U.S. subsidiary are among the companies whose pensions PBGC took over this year.

The agency's investment return rate was 13.2 percent.

The annual report to Congress classified 27 large pension plans with a total underfunding of \$1.64 billion as probable losses on the PBGC balance sheet.

Legislation has been introduced in Congress to revamp the agency's governance after its inspector general found that its former director, Charles E.F. Millard, had inappropriate communications with eight of 16 Wall Street firms that bid last year to manage \$2.5 billion in assets. The resulting contracts were canceled in July.

Earlier this week, President Barack Obama nominated Joshua Gotbaum, an investment banker, to head the PBGC. Gotbaum is an operating partner at Blue Wolf Capital Management LLC who spent more than 10 years at Lazard Freres in New York and London. Blue Wolf is a New York-based private equity firm.

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