Congress of the United States
House of Representatives
Washington, DC 20515

May 2, 2006

Mr. Bradley Belt
Executive Director
Pension Benefit Guaranty Corporation
1200 K Street, N.W.
Washington, D.C. 20005-4026

Dear Mr. Belt:

Last week several news services reported that the U.S. Department of Labor (DOL) has issued a subpoena to Wilshire Associates regarding possible conflicts of interest in its pension consulting practice. Wilshire has confirmed receiving the subpoena. The Pension Benefit Guaranty Corporation (PBGC) has confirmed that Wilshire provided PBGC with a variety of consulting services since 1987, including investment policy, asset allocation, manager evaluation and special studies and advice.

Following the release of a report by the Securities and Exchange Commission (SEC) that identified significant conflicts of interest within the pension consulting industry, we wrote the DOL and the SEC regarding allegations that conflicts of interest may be jeopardizing the retirement funding of defined benefit pension plans, including at United Airlines, where participants lost over $3 billion in benefits and the PBGC incurred over $6 billion in unfunded liabilities when the company's plans were terminated. As you know, the May 2005 SEC report surveyed 24 firms and found that 13 – more than half of the sample – had conflicts of interest. The SEC referred its finding to the Department of Labor. In February 2006, in response to our inquiry, the Department stated it was investigating. On April 14, 2006, at a meeting with the DOL, the SEC, and a representative of your staff, the DOL confirmed that it has asked its regional offices to investigate the allegations against all 13 firms.

In light of these escalating findings, we request the PBGC's response to the following questions:

1) What are the contractual terms of the PBGC's contract with Wilshire Associates?
2) Does the PBGC currently, or has it in the past, employed consultants other than Wilshire to perform asset management services for the PBGC? If yes, please indicate which consultants, when they provided the services, and which services were provided.

PRINTED ON RECYCLED PAPER

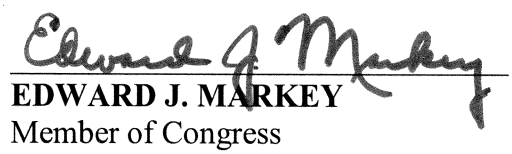
3) Did Wilshire ever disclose to the PBGC that it might have a conflict of interest with any of its other clients?
4) Did the PBGC ever ask Wilshire to ascertain if it has any possible conflicts of interest? If yes, when and what was the result of this request? If not, why not?
5) Has the PBGC requested that Wilshire respond to the questions contained in the SEC-DOL "Tips for Plan Fiduciaries" distributed to pension plans following completion of the SEC's May 2005 staff report on pension consultant conflicts of interest? If yes, please provide a copy of Wilshire's responses. If not, why not?
6) Did the DOL or SEC notify the PBGC of the names of any of the firms with possible conflicts of interest?
7) Did the PBGC ask the SEC or DOL for any of the names?
8) Did any of the firms identified by the SEC as having conflicts of interest provide consulting services to any of the terminated plans now under the control of the PBGC? If yes, how many?
9) If any of the firms identified by the SEC as having conflicts of interest provided consulting services to terminated plans now under PBGC's control, will the PBGC investigate whether conflicts of interest, hidden financial arrangements or unlawful activities occurred in the course of the consultants' work for the terminated plans? If yes, how will this work be conducted, when will it be completed and what will the PBGC do in the event it determines that a terminated plan's consultant had a conflict of interest, hid fees or engaged in unlawful activities while employed by the terminated plan? If PBGC will not investigate, why not?
10) In light of the subpoena issued to Wilshire, what action is and will DOL take to ensure that Wilshire has no conflicts of interest that affect its ability to protect the interests of the PBGC and participants and beneficiaries of terminated plans?

Over 70 million workers and retirees count on their employers and pension consultants to act prudently and solely in their interest in investing their retirement nest eggs. The PBGC itself has estimated that traditional defined benefit plans are at risk for up to $450 billion in underfunding. The PBGC and all other involved agencies have an obligation to make every effort to ensure that those retirement dollars are not reduced due to conflicts of interest.

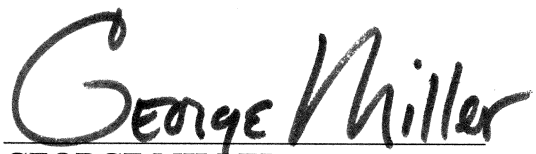
We would appreciate your response by May 15, 2006. We also request a meeting with the PBGC staff who are examining this and our previous inquiry to discuss the PBGC's efforts further.

Please feel free to contact Mark Bayer in Congressman Markey's office at 225-2836 or Jody Calemine in Congressman Miller's office at 226-1881 for further information and to set up a meeting.

Sincerely,



EDWARD J. MARKEY
Member of Congress



GEORGE MILLER
Senior Democratic Member
Committee on Education and
the Workforce