RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Daniel Taberski (TABERSKI_D) (OPD)

CREATION DATE/TIME: 6-SEP-1996 19:51:01.86

SUBJECT: fyi

TO: Daniel Taberski (TABERSKI_D) (OPD)
READ:NOT READ

TO: Jason S. Goldberg (GOLDBERG_JS) (OPD)
READ:NOT READ

TO: Jonathan Orszag (ORSZAG_J) (OPD)
READ: 6-SEP-1996 19:51:06.09

TO: Pauline M. Abernathy (ABERNATHY_P) (OPD)
READ: 8-SEP-1996 12:57:54.08

TEXT:

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 6-SEP-1996 10:14:00.00

ATT BODYPART TYPE:B

ATT CREATOR: Ellen S. Seidman

ATT SUBJECT: Memo on pension items

ATT TO: Pauline M. Abernathy (ABERNATHY_P)

ATT TO: Gene B. Sperling (SPERLING_G)

TEXT:
Attached is a memo on pension items. I'm following up on the raids issue, although I think we need to be careful of some potential risk, e.g., Democrats who have done the same, Cuomo's ETI push. I'm also trying to get more info on the Daschle situation, but my source is not really going to be close to the issue of what they're planning on the introduction. Ellen
================== END ATTACHMENT 1 ==================

=================== ATTACHMENT 2 ===================
ATT CREATION TIME/DATE: 6-SEP-1996 10:21:00.00

ATT BODYPART TYPE:p

TEXT:
WPCt
2BVWZ
#|xcpi)?xxx,sXx6X@JQX@Canon LBP-8 IIIus/4M PlusCALB8III.WRSx
@ph!+CX@2C ZS

1#|xCanon LBP-8 IIIus/4M PlusCALB8III.WRSx
@ph!+CX@Courier 12pt (10cpi)Courier 12pt (10cpi) (Bold)2XRr?xxx,sXx6X@JQX@>?xxx
,Xx `QX@?
2BVWier 12pt (10cpi)
/
?< September 6, 1996

?<MEMORANDUM FORGENE SPERLING

? <FROM:` ` Ellen Seidman

?<SUBJECT: ` ` Pension items in the next few months

?@<Congress

Introduction of Daschle omnibus pension bill. Probably next
week. Bill includ
es RSSA items that were not included in the
minimum wage bill (including IRAs),
plus additional MoseleyBraun
items, Boxer 401(k) diversification provision and
some other
items. In general, this bill should be fully supportable by the
Ad
ministration, although there is a serious possibility that we
will not see it u
ntil just prior to introduction, and things have
been dropping in without anyon
e vetting them with us. Kennedy
and Bingaman will also try to reach agreement
with each other on
what they will call an employeedriven 401(k) program. The
r
eason Daschle has been resisting including this in his bill
and the reason we
have all been very skeptical about it is
that the mechanism for enabling this
to happen strongly resembles
regional purchasing cooperatives, for which there
is
significantly less justification in the pension field than there
was in heal
th care.

?< Reich wants to take part in the introduction. We don't know what
Daschle's
plans really are. If the White House wants to
participate, or wants to influen
ce what's going to happen, we

?p<need to talk to Daschle's office quickly.

?<DOL

1. Audit bill Kassebaum has promised a markup, but has not
scheduled one. Re
ich wants White House public and private
support to push it along.

2. Rollout of booklet on "Protecting Your Pension," a userfriendly guide to ev
aluating your pension program, including how
?@<to read and use a Form 5500. Scheduled for next week or the week
? <after, with Reich as lead.

?!< Treasury

1. Issuance of revenue ruling (IRS) and proposed regulation
(Treasury) impleme
nting two of the portability proposals in the
President's program: (i) safe har
bor for plans accepting
rollovers and (ii) greater flexibility of investments f
or
employees who choose to leave 401(k) money with a former employer"H&`'"'-"

?<when the employee changes jobs. Treasury wants to announce these
soon (they
're saying next week), and staff have indicated some
unease at politicizing esp
ecially the revenue ruling, because of
?X<concerns about seeming to impinge on IRS independence.

2. [This isn't really pensions, but you should know about it,
which you may.]
Issuance of revenue ruling making clear that
section 127 nontaxation of employ
erprovided education benefits
applies to former employees who are laid off, rif
fed, etc., even
?<if they do not have callback rights. Timing: "shortly"

3. We have asked Treasury to move forward on designing the
SIMPLE form as quic
kly as possible. They may be able to make it
by October.

?<DOJ

The AG has indicated that she wants to make pursuit of pension
?<fraud a top whitecollar crime priority. Timing: uncertain
because there are

some bureaucratic steps that have to be taken,
?<but clearly this fall.

?0<PBGC

1. Issuance of booklet: "Divorce Orders & PBGC." This includes
two model Quali
fied Domestic Relations Orders (QDRO). A QDRO is
a direction by a court to a p
ension plan on how to divide pension
benefits among parties to a divorce. The
orders in the book
?< technically apply only to those plans for which the PBGC is the
trustee (ge
nerally terminated plans of bankrupt companies).
However, knowing that you nee
d a QDRO and then writing one that
passes muster under ERISA is fairly difficul
t, and the
expectation is that these models will be useful in a broader
context
. This is NOT the response to the MoseleyBraun provision
in the minimum wage b
ill (that orders Labor to develop sample
QDRO language for plans more generally
), but it is a really good
? <start. Timing: PBGC intends to release the booklet next week.

2. Funding up. The PBGC's "Top 50" list of underfunded plans,
plus the requir
ement under the RPA that employers whose plans are
underfunded so notify their
employees, has led to much funding up
activity. Various cases can be used as e
xamples. A really good
one that should be announced about September 15 is that
in
connection with Teledyne's merger with AlleghenyLudlum, a
portion of the ov
erfunding in the Teledyne pension plan will be
used to fund AlleghenyLudlum's u
nderfunded plan. Teledyne had
been a leader in the reversion fight.

3. General attention to pensions. When Wheeling Pittsburgh went
into bankrupt
cy in the early 1980s, the defined benefit plan was
terminated. The strike iss
ue this year at the company will be
reestablishing the plan.================== END ATTACHMENT 2 =================

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:19-SEP-1996 18:43:45.94

SUBJECT: retirement commission

TO: Kenneth S. Apfel (APFEL_K) Autoforward to: Remote Addressee (Kenneth S. Apfel@eop@lngtwy@eopmrx) (OMB)
READ:NOT READ

TEXT:
I have my pension working group working on this. Please call me. We need to include the PBGC in the meeting; they may be the most constructive of all.
Ellen

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Michael Warren (WARREN_M) (OPD)

CREATION DATE/TIME:20-SEP-1996 14:33:14.79

SUBJECT: Attendees For Your 3:00 Meeting

TO: Ellen S. Seidman (SEIDMAN_E) (OPD)
READ:20-SEP-1996 17:02:06.34

TEXT:
Here are the attendees for your 3:00pm meeting in Room 231:
Mark Iwry - Treasury will attend
Viki Judson - Treasury will attend
Josh Gotbaum - Treasury will attend
Louise Sheiner - Treasury will attend
Olena Berg - Labor out of town
Alan Lebowitz - Labor will attend
Mary Ann Richarson - Labor will attend
Richard Hinz- Labor will attend
Larry Matlack - OMB not confirmed
Mark Mazur - NEC not confirmed
Nell Hennessey - PBGC will attend
Judy Schub - PBGC will attend

RECORD TYPE: FEDERAL (NOTES MAIL)

CREATOR: OIRA_DOCKET@A1@CD@LNGTWY (OIRA_DOCKET@A1@CD@LNGTWY [EOP]) (OMB)

CREATION DATE/TIME:27-SEP-1996 16:08:39.00

SUBJECT: 1212-0030 OMB NOTICE OF ACTION

TO: SCHRAMM_A@A1@CD@LNGTWY (SCHRAMM_A@A1@CD@LNGTWY [GSA]) (GSA)
READ:UNKNOWN

TO: ASHNER.HAROLD@PBGC.GOV@INET@LNGTWY (
ASHNER.HAROLD@PBGC.GOV@INET@LNGTWY [UNKNOWN])
READ:UNKNOWN

TO: BLATT.PATRICIA@PBGC.GOV@INET@LNGTWY (BLATT.PATRICIA@PBGC.GOV@INET@LNGTWY [
UNKNOWN])
READ:UNKNOWN

TO: Debra J. Bond@eop (Debra J. Bond@eop [OMB])
READ:UNKNOWN

TEXT:

NOTICE OF CHANGE

Harold J. Ashner 09/27/96
Pension Benefit Guaranty Corporation
Office of the General Counsel
1200 K Street NW., Suite 340
Washington,, DC 20005-4026

In accordance with the Paperwork Reduction Act, OMB has made the following change(s).

OMB NO.: 1212-0030

TITLE: Survey of Nonparticipating Single Premium Group

AGENCY FORM NUMBER(S): None

The following items have been changed:

ITEM	PREVIOUS VALUE	NEW VALUE
Nbr. Respondents	14	13
Total Responses	40	28
Total Hours	30	21
Hours Difference	-42	-9
Program Change	-42	-9
Annual Costs	1,056	752
Total Costs	1,056	752

Costs Difference	1,056	-304
Costs Pgm Change	1,056	0
Costs Adj Change	0	-304

OMB Authorizing Official Title

Donald R. Arbuckle Deputy Administrator, Office of Information and Regulatory Affairs

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RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ingrid M. Schroeder (SCHROEDER_I) (OMB)

CREATION DATE/TIME: 8-OCT-1996 17:24:48.84

SUBJECT: HTF comments on the signing statement

TO: Ellen S. Seidman (SEIDMAN_E) (OPD)
READ: 8-OCT-1996 17:27:49.49

CC: James J. Jukes (JUKES_J) (OMB)
READ: 8-OCT-1996 17:25:51.41

TEXT:
Update-
We have retyped the signing statement and included the SEC comments (I will forward the file to you seperately). I am attaching to this email the OMB/HTF comments (these have not been included in the statement).
So far these are the only comments we have recieved. The following agencies have responded with either no comments or no objections to the statement:
Justice
Commerce
Federal Reserve
Labor
PBGC
SBA
Elena Kagan
Lisa Kountoupes is looking at the statement right now and we have pinged Treasury for their signoff.

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 8-OCT-1996 12:42:00.00

ATT BODYPART TYPE:E

ATT CREATOR: William F. Wiggins

ATT SUBJECT: signing statement and other stuff

ATT TO: SCHROEDER_I (SCHROEDER_I@A1@CD)

TEXT:
Message Creation Date was at 8-OCT-1996 12:42:00

Ed and I looked at the signing statement and have no problem with it. However, Alan thinks we might want to change the 4th to the last line. Currently, it reads, "The SEC's funding will be stable and more predictable from year to year." This may be too strong, since the appropriators still have to act to fund the agency each year. As a result, I think we should change it to the following:

"The SEC's funding will be more stable and predictable than it has been in recent years."

In addition, we should add a two sentences to the enrolled bill memo that explain why both the 6(b) and transaction fees drop substantially in the tenth year of the fee schedule. I purpose to place the first sentence right after the sentence which ends, ".....the fee would be reduced to 1/150th of 1 percent in FY2007." This sentence should basically say: "This ten year time frame was required (or used) so that the proposed fee structure would not run afoul of the pay-as-you-go scoring rules". A substantially similar sentence also should be placed directly after the sentence that ends, "....1 percent of the aggregate dollar value of securities traded to 1/800th of 1 percent in FY2007."

Thanks a ton, Ingrid. BW

================= END ATTACHMENT 1 =================

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Wendy J. Einhellig (EINHELLIG_W) (OPD)

CREATION DATE/TIME:18-NOV-1996 14:09:55.30

SUBJECT: RE: Car for 3:00 meeting

TO: Ellen S. Seidman (SEIDMAN_E) (OPD)
READ:18-NOV-1996 14:22:29.01

TEXT:
Car # 85 at 2:50pm to PBGC 1200 K St NW, Suite 210

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:18-NOV-1996 12:00:47.47

SUBJECT: Pension underfunding announcement

TO: Gene B. Sperling (SPERLING_G) Autoforward to: Daniel Taberski (TABERSKI_D) (WHO)
READ:18-NOV-1996 15:12:23.57

TO: Rahm Emanuel (EMANUEL_R) (WHO)
READ:NOT READ

TO: Laura D. Tyson (TYSON_L) Autoforward to: Thomas O'Donnell (ODONNELL_T) (WHO)
READ:18-NOV-1996 18:52:58.55

TO: Mark J. Mazur (MAZUR_M) (WHO)
READ:18-NOV-1996 12:10:00.61

CC: Michelle Crisci (CRISCI_M) (WHO)
READ:18-NOV-1996 12:05:41.32

CC: Daniel Taberski (TABERSKI_D) (OPD)
READ:18-NOV-1996 15:12:23.57

CC: Michael Warren (WARREN_M) (OPD)
READ:20-NOV-1996 17:04:15.03

TEXT:
On Thursday, December 12 -- about the usual time of year when they do these things -- the PBGC will announce (i) underfunding at the end of 1995; (ii) the fact that the PBGC, at the end of 1995, had a surplus, rather than a deficit; and (iii) the 50 companies with the greatest degree of underfunding. You will recall earlier warnings that, because of declining interest rates, the underfunding number is way up over 1994. The PBGC is working hard at putting this in context, emphasizing enhanced security and, to some extent, the need for a better measure, which they actually presented at a conference at Wharton this weekend. They are also trying to reduce the story's impact by the timing of the release. Reich is fully aware of this, and there will be a PBGC Board meeting this afternoon (I'm certain Reich, Rubin and Kantor will not be there but their reps will be) to discuss the issue. I will attend the Board meeting.
Ellen

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:18-NOV-1996 13:51:44.33

SUBJECT: Car for 3:00 meeting

TO: Wendy J. Einhellig (EINHELLIG_W) (OPD)
READ:18-NOV-1996 13:57:51.21

TEXT:
Could you get me a car for my 3:00 meeting at the PBGC. At 2:50. Thenks.
Ellen

RECORD TYPE: PRESIDENTIAL (EXTERNAL MAIL)

CREATOR: Michael Deich@EOP@LNGTWY@EOPMRX

CREATION DATE/TIME:27-NOV-1996 08:09:00.00

SUBJECT: issues on DC, CFTC, GSEs

TO: SEIDMAN_E (SEIDMAN_E@A1@CD) (OPD)
READ:27-NOV-1996 09:09:27.32

CC: Alan B. Rhinesmith (Alan B. Rhinesmith@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TEXT:
Message Creation Date was at 27-NOV-1996 08:01:00

1. frank is interested in having the feds pick up DC's unfunded pension liability. i'd like to spell out the proposal and get reactions from interested admin actors. can you help fill in the cast? i have you, gotbaum, pbgc (name?). who else?

2. i spoke w/born about cftc fees. her arguments were not based on any quantitative evidence; neither were mine -- neither she nor omb staff knew of any econometric/other studies of the effects that fees might have on the relevant markets. i've put aside up to $1 m. to use on studies. any recommendations on what people or entities might be regarded as unbiased, authoritative so that any results might get broad acceptance (or at least force the futures mkts to pay for their own opposing studies)?

3. HTF staff had the intriguing idea of auctioning off another fannie/freddie like charter to introduce competition. again, details to follow. again, who besides you has a stake in this? carnell? hawke? pls advise.

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:27-NOV-1996 09:32:20.11

SUBJECT: RE: issues on DC, CFTC, GSEs

TO: Michael Deich (Michael Deich@EOP@LNGTWY@EOPMRX)
READ:NOT READ

CC: Alan B. Rhinesmith (Alan B. Rhinesmith@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TEXT:
1. We'll run into the big problem that no one in the federal govt involved in pensions spends much time at all on gov't pensions -- ERISA generally doesn't apply and the tax code sections matter to the beneficiaries, but only in the atom bomb sense of revoking eligibility, so even the IRS doesn't pay much attention. Having said this, the critical people are NOT Gotbaum and the PBGC (although Nell Hennessey at PBGC will be helpful and creative), but rather Mark Iwry (Benefits Tax Counsel - Treasury, or his deputy, Vicki Judson, but they usually come in pairs, like nuns), Olena Berg at DOL (who's in charge of ERISA and the fiduciary stuff, and who used to be on the Board of CALPERS), and -- if you want to go down to the IRS level -- Evelyn Petchuk, who's head of Employee Benefits at the IRS. Olena's non-career deputy, Meredith Miller, may actually have given the DC situation some thought before she came into the gov't, as she was with the service workers union in DC. Olena's career deputy, Alan Lebowitz, is a smart guy who's been around a long time, and may have been around when the whole DC pension issue was considered earlier, so he may have some useful institutional memory, as well as good judgment. Nell, Evelyn, Mark and Vicki are also long-time DC people (worked here even if they lived in the suburbs), and so may have given this issue some pro bono thought over the years. Mark Mazur might also be interested.
2. I really don't know on this one. NBER is a possibility. Ask Mark Mazur. Larry Summers may also have some good ideas.
3. My personal view is that this is tilting at windmills, and if anyone picks up the challenge it will likely be someone already so big that the result is likely to be a three or four way oligopoly at greater risk to the government rather than more competition (there's already plenty) at less risk. But, leaving that aside, please make certain that HUD -- Nic Retsinas -- is involved as well as Treasury. (My offhand guess is that neither Treasury nor HUD will favor this proposal, but for totally different reasons; in fact, HUD is more likely to be sympathetic than Treasury, because they'll see the possibility of running yet more of their programs through GSEs.) You might also want to give some thought to whether you can/want to involve Fannie's and Freddie's safety and soundness regulator, OFHEO, who are the people who have actually done the most work on the financial structure and risk of the firms, so should have the best ability to think about such things as the extent to which monopoly rents are being captured. I'd include them, but there may be policy reasons related to their regulatory role not to. At Treasury, Hawke will be interested, as will Gotbaum and Summers. Carnell will be interested too, but on this issue, he's largely a more extreme version of Hawke. Mark Mazur will also be interested and

helpful.

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:10-DEC-1996 13:27:39.03

SUBJECT: Pensions

TO: Melissa G. Green (GREEN_MG) (OPD)
READ:10-DEC-1996 13:28:24.20

TEXT:
EOP
Sperling
Emmanuel
Hilley? (someone from his office, who repr either leadership or tax)
Sitglitz
Munnell
Mazur
Ken Apfel
Michael Deich
Larry Matlack
Alan Rhinesmith
Treasury
Don Lubick
Mark Iwry
Josh Gotbaum
Vicki Judson
Labor (Main)
Olena Berg
Meredith Miller
Mary Ann Richardson
Vince Traveli
PBGC
Marty Slate
Judy Schub
Nell Hennessey

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:11-DEC-1996 17:58:42.74

SUBJECT: Pension underfunding announcement

TO: Rahm Emanuel (EMANUEL_R) Autoforward to: Remote Addressee (Rahm Emanuel@eop@lngtwy@eopmrx) (WHO)
READ:NOT READ

TO: Gene B. Sperling (SPERLING_G) Autoforward to: Melissa G. Green (GREEN_MG) (WHO)
READ:11-DEC-1996 20:08:59.20

CC: Melissa G. Green (GREEN_MG) (OPD)
READ:11-DEC-1996 20:08:59.20

CC: Jason S. Goldberg (GOLDBERG_JS) (OPD)
READ:11-DEC-1996 17:58:47.83

CC: Michelle Crisci (CRISCI_M) Autoforward to: Remote Addressee (Michelle Crisci@eop@lngtwy@eopmrx) (WHO)
READ:NOT READ

TEXT:
Apparently the AP is going to run a long, but hopefully complete and not excessively excited story tomorrow on the pension underfunding issue. They have not asked for a quote from Marty, and apparently not from anyone else in the Administration, either, so the hope at the PBGC is that it will be factual.
ellen

RECORD TYPE: PRESIDENTIAL (PHONE MESSAGE)

CREATOR: Sonyia Matthews (MATTHEWS_S) (OPD)

CREATION DATE/TIME: 8-JAN-1997 10:44:58.70

SUBJECT: PH: gwen #202-326-4010

TO: Ellen S. Seidman (SEIDMAN_E) (OPD)
READ: 8-JAN-1997 14:50:16.36

TEXT:

Caller: gwen
Of: pbgc Work: 202-326-4010
Phoned.
conference call on 14th can happen at 10:00. Please call to confirm or change.

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:13-JAN-1997 08:53:02.37

SUBJECT: DC PENSIONS

TO: Michael Deich (DEICH_M) Autoforward to: Remote Addressee (Michael Deich@eop@lngtwy@eopmrx) (OMB)
READ:NOT READ

TEXT:
Michael, in a quick look over the DC stuff when I got in this morning, I noticed on the pension part that it is written as if the $52 million will NOT be transferred each year through 2004. If that's the case, I'm disappointed, but at least the Q&A are basically accurate. If you DID decide to go ahead with the $52 million transfer, the Q&A should be revised to reflect it.
If you stayed with the original plan, the second sentence of the first part of the second answer -- outlays -- should be revised to read "This is being done because the Federal government typically does not hold non-governmental assets to fund pension obligations that are the direct responsibility of the federal government." (Underlined words added) The reason for the first change is that the trust funds DO hold assets -- the government bonds -- which are real, if a little strange. The reason for the second change is that the PGBC, which is a government agency, does, of course, hold lots of non-governmental assets to fund the terminated plans it guarantees. (For that matter, TSP holds non-governmental assets, but the theory there would be that TSP doesn't have "pension obligations" in the sense meant here -- but the PBGC does.)
Finally, if you've stayed with the original plan, I do hope someone has the answer to the charge that this is a costly $400 million budget gimmick.
Ellen

RECORD TYPE: PRESIDENTIAL (EXTERNAL MAIL)

CREATOR: M. Jill Gibbons@EOP@LNGTWY@EOPMRX

CREATION DATE/TIME:22-JAN-1997 11:11:00.00

SUBJECT: RE: Interagency Meeting on DC Initiatives

TO: SEIDMAN_E (SEIDMAN_E@A1@CD) (OPD)
READ:22-JAN-1997 13:02:10.91

TEXT:
Message Creation Date was at 22-JAN-1997 11:06:00

That's fine. I've already cleared in Terry Deneen and Stuart Sirkin from PBGC. Are these the two from PBGC you mentioned? If not, 4 from PBGC might be too many since we are limiting the other agencies. Thanks

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:22-JAN-1997 10:57:32.21

SUBJECT: RE: Interagency Meeting on DC Initiatives

TO: M. Jill Gibbons (M. Jill Gibbons@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TEXT:
Jill, I'm going to need to have two people each from PBGC and Treasury on the pension stuff. It's really amorphous and we're meeting afterwards to try to pin it down. ellen

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:24-JAN-1997 13:33:44.10

SUBJECT: RE: DC Pensions

TO: G E. DeSeve (G E. DeSeve@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TEXT:
I hope Frank understood that the hard freeze will start DC off with an underfunded new plan if that new plan is a normal mirror plan.
On the talking to the actuaries, I hope you and Scott talked. The PBGC folks will talk to them, but would prefer to be assured before asking them for any runs that they've either agreed to work pro bono or that there's some payment source. The PBGC CANNOT pay for this stuff. They don't believe the runs they need are either hard or expensive, but want some assurance that they (i) will get what they need and (ii) won't be left holding the bag.
Also, having never seen the original Matlack memo, I"m not sure what you mean by the Treasury trustee option. That the Treasury should pick the trustee -- even though the practitioners in the group think that may result in no or very high bids, or that the Treasury should BE the trustee.
Ellen

RECORD TYPE: PRESIDENTIAL (EXTERNAL MAIL)

CREATOR: G E. DeSeve@EOP@LNGTWY@EOPMRX

CREATION DATE/TIME:24-JAN-1997 15:49:00.00

SUBJECT: DC Retirement Plans -- Drafting Issues and Other Notes

TO: SEIDMAN_E (SEIDMAN_E@A1@CD) (OPD)
READ:24-JAN-1997 17:24:30.09

TEXT:
Message Creation Date was at 24-JAN-1997 15:42:00

I was quite clear with Frank about the unfunded liability. Attached is the Matlack memo and I will send you a new one reflecting conversations he had (and mirroring one I had) with Stewart Sirkin. I will talk to City people next week about getting the most recent actuaries report and about getting additional information paid for not by PBGC from the actuary.
---------------------- Forwarded by G E. DeSeve/OMB/EOP on 01/24/97 03:36 PM

Larry R. Matlack 01/23/97 07:53:07 PM

Record Type: Record

To: G E. DeSeve/OMB/EOP
cc: Barry White/OMB/EOP, Robert B. Rideout/OMB/EOP, Scott Quehl/OMB/EOP
Subject: DC Retirement Plans -- Drafting Issues and Other Notes

We need your guidance on a few issues that have come up in the working group.

We have had two meetings on the above issue with the involved agencies and the NEC, one each on Wednesday afternoon and Thursday afternoon. Many issues were resolved, but a few still are outstanding. The issues raised by DOL, Treasury, and the PBGC follow. The PBGC is the principal drafter.

We identified the drafting task as a three-part effort. The issues raised where we need your guidance are discussed briefly under each heading below:

1. Taking over the Plan: In essence, treating the District's plan as if it were a private sector company going through bankruptcy.

2. Selecting an Independent Trustee.

3. Administering the Wasting Trust: What happens when the money from the District's existing investments for this purpose runs out?

1. Plan Takeover: First steps, akin to bankruptcy for the purposes of: terminating plans; transferring assets to another entity; other entity takes on responsibility for paying accrued benefits; no more money coming into plan. As a general matter we agreed that:

- The date for freezing benefits (the "freeze date") will be the date the bill is introduced.
- The "effective date" for takeover is the date on which the District agrees to a follow-on plan.
- The "termination date" is the date the independent trustee takes over the plan.
- In the period between the "effective" and "termination" dates, the District will continue to administer the current plan, and will be paid for its costs during that intervening period.
- The Federal payment for pension costs ends with the FY 1997 payment.

Condition One : District has to establish new pension plan for those continuing employees who were covered under the old plans, and for future employees. Federal Government may or may not have a role in development of that follow-on plan (see "problems", below).

Condition Two: No plan termination or Federal takeover until District provides adequate records (in judgment of Treasury Secretary) on all employees and retirees under the plan.

Takeover Options:

Hard Freeze on Benefits. This was Wednesday's going-in position for drafting purposes:
All current vested participants will be treated as vested, separated employees with their eventual annuity based on age, salary, and years of service as of the plan termination date.
Payout calculated at the earliest date person would have become eligible for retirement under the existing plan.
Future salary increases and years of service would not be an issue or cost concern for the plan the Federal Government takes over. The DC follow-on plan, which would be left to collective bargaining, would pick up those costs. By freezing everything on the bill's introduction date, we clearly establish the Federal liability.

Problems:
Tough employee issue. Raises "anti-cutback" issues for those close to retirement, seems inconsistent with Administration's past and current pension initiatives to preserve pensions, but most importantly it would saddle the new DC plan with immediate liability as it picked up accruing age and service liabilities.

What to leave to collective bargaining, and how much to influence that bargaining? There will be strong employee resistance to bargaining a plan that is less generous than the one being terminated, every tendency to develop one that has low near-term costs and high outyear costs, and every tendency to delay coming to closure since the current plan remains in effect until the new one is developed.

Alternative Takeover Options:

Soft Freeze Alternative. The Federal government assumes the accruing liability for those near retirement for age, compensation, and related increases (called "grow-ins"). There is uncertainty whether the $4.3 billion liability figure we are using includes estimates for these costs. PBGC will try to find out the status as soon as it can Friday. It could affect the route we choose.

Intermediate Freeze Alternative. Depending on the composition of the $4.3 billion, the Federal Government takes over some of the "grow-in" liability, but not necessarily all. At issue could be disability (does DC make determinations and bear the added cost), early retirements (is annuity based on the earliest eligibility date), and compensation increases.

We cannot at this point give you a sound actuarial analysis necessary to answer questions about the above and other issues that may come up.

We recommend a "soft freeze" alternative if at all possible. The principal reason for this position is that a hard freeze saddles the District with an immediate liability and seems to be a violation of the spirit, if not the substance, of the agreement we have discussed with them.

Alternatives for Follow-on Plan Bargaining:

The drafting group made the following suggestions, under the assumption that the absolute earliest date we can take over the current plan is October 1, 1997, but certainly can be much later than that, if necessary.

Establish a Deadline, Impose a Plan. The legislation would specify a one-year-from- enactment deadline for agreeing to a new plan. If that were not met, the Federal government would specify the parameters of a plan, and the plan would be imposed. The plan content would not be specified in the bill. (We have too little time to do this in the bill, and the detail is too complex to do well.)

Open-ended Deadline, but With Conditions. The District must agree to a follow-on plan before the Federal Government will assume the liabilities of the current plan. The bill would include a contingency for imposing a plan in the event the District does not negotiate a plan in a reasonable period, and set out general standards for the plan. The Federal government would not assume any of the liabilities accruing during the time the District failed to act if the fallback option had to be imposed.

We recommend the "Open-ended" option. It has the stick of imposing a cost to the District if it doesn't act, but it gives the District time to agree to a plan. It's less heavy-handed than the first option, but makes clear we mean for them to get busy developing a new plan.

2. Selecting an Independent Trustee

In a typical situation, a company establishes an administrative committee that picks a trustee that usually acts as a passthrough for income generated by a separate investment manager. At the Wednesday meeting we agreed that Treasury would run a competitive bidding process to hire a Trustee, who, in turn, could hire a benefit administrator. Labor would have oversight over fiduciary standards, as it does in private sector, and for the Federal Retirement Thrift

Investment Board.

Problems:
There is concern that the competitive process will come up dry because the Treasury will not be able to find an entity that will be willing to act as the fiduciary if it can't also be the investment manager. The conflicts between the trustee and investment roles are too apparent a problem. DOL cites its difficulty getting a trustee for the Central States Teamster Funds as an example. A possible solution, of course, is to make the fee very large to overcome the loss of the investment role.

Alternative Trustee Models

Federal Government Board. This option would be modeled on the Federal Thrift Retirement Board. A Federal agency, or group of agencies (e.g., Treasury, DOL, and the PBGC) would act as trustee and pick the investment manager. DOL still would have some fiduciary oversight role. It avoids the fiduciary conflicts the PBGC and DOL see in the Treasury-competitive model proposed on Wednesday. The drafters far prefer this option, but it could affect the scoring of the proposal.

Custodial Board with DC Participation. This DC-oriented Board would include members from the affected beneficiary groups. They would act as trustee and hire the investment manager.

We recommend the current Treasury-competition model. While not easy to draft and implement, we believe this is the best option to keep the Federal government out of the State and local pension administration business. It also makes scoring easier. The custodial board has too much of the fox-in-the-henhouse aspect to it to be acceptable.

3. Endgame, when all the money from DC is gone:

This is pretty well settled. We do not have issues in this areas at the moment. The remaining benefits and administrative expenses will be financed from (mandatory) appropriations.

Legislation will give the Treasury Secretary authority to determine at that time who should administer the benefits. A private entity could remain as the administrator, or OPM or another appropriate federal agency could take over. Legislation also would provide full authority for operation and regulation to the Treasury Secretary who could, in turn, delegate that to another federal agency if the federal route is chosen.

RECORD TYPE: PRESIDENTIAL (EXTERNAL MAIL)

CREATOR: G E. DeSeve@EOP@LNGTWY@EOPMRX

CREATION DATE/TIME:24-JAN-1997 11:51:00.00

SUBJECT: DC Pensions

TO: SEIDMAN_E (SEIDMAN_E@A1@CD) (OPD)
READ:24-JAN-1997 13:29:14.49

TO: Larry R. Matlack (Larry R. Matlack@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TO: Robert B. Rideout (Robert B. Rideout@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TO: Scott Quehl (Scott Quehl@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TO: Michael Deich (Michael Deich@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TEXT:
Message Creation Date was at 24-JAN-1997 11:46:00

Following up on our meeting yesterday, I asked Director Frank Raines which of the freeze options he preferred and discussed the Treasury bid of the trusteeship. Frank was quite clear tht the hard freeze was the preferable option. It has been the one that he has continuallly articulated.

I told him that we were checking the actuarial assumptions used in calculating the 4.3 billion and the "grow ins" might be included. He encouraged us to verify this but was quite clear in his position.

He agreed with the Treasury trusteeship option.

I hope that this is enough to move forward with the drafting.

Scott Quehl should fax a copy of this message to Treasury, Labor and PBGC participants.

My understanding is that Stanley Sirkin is going to check with the actuary to find out what assumptions were used in the termination calculation.

On the deadline issue, I think that we should go forward with the open ended deadline with conditions. That is we don't take over the plan until a new plan is in place.

If any thing else is needed, please call me or fax me.

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:27-JAN-1997 13:16:37.75

SUBJECT: RE: PBGC Report

TO: Anna M. Briatico (Anna M. Briatico@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TEXT:
1. Thanks.
2. Send it to me. I'll still be here.
ellen

RECORD TYPE: PRESIDENTIAL (EXTERNAL MAIL)

CREATOR: Anna M. Briatico@EOP@LNGTWY@EOPMRX

CREATION DATE/TIME:27-JAN-1997 12:18:00.00

SUBJECT: PBGC Report

TO: SEIDMAN_E (SEIDMAN_E@A1@CD) (OPD)
READ:27-JAN-1997 13:14:29.55

TEXT:
Message Creation Date was at 27-JAN-1997 12:16:00

First I want to congratulate you on your new position!

Second -- I need to find out if I should send the draft PBGC 1996 Annual Report to you to review or if there is someone else on the Council I should forward it to instead. (Comments will be due on February 17th.)

Thanks.

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:28-JAN-1997 15:48:02.19

SUBJECT: DC courts pension plan

TO: G E. DeSeve (G E. DeSeve@eop@LNGTWY@EOPMRX)
READ:NOT READ

TO: Carol Thompson-Cole (Carol Thompson-Cole@EOP@LNGTWY@EOPMRX)
READ:NOT READ

CC: Michael Deich (Michael Deich@eop@LNGTWY@EOPMRX)
READ:NOT READ

CC: Scott Quehl (Scott Quehl@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TEXT:
Both Stu and Terry have gotten calls from Ulysses Hammond, 879-1700, who identified himself as the CEO of the DC courts asserting that PBGC -- and Stu and Terry personally -- are taking over his pension plan. Of course, he doesn't realize that it's even worse than that. Can Ed or Carol give this fellow a call and at least make certain he has the company line. He's calling in directly to Terry and Stu, asking for an appointment, and had gotten the names and number from "someone named Atchison" (presumably Elizabeth) in the Associate Attorney General's office. Thanks. Ellen

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:28-JAN-1997 09:49:55.80

SUBJECT: DC pensions

TO: Scott Quehl (Scott Quehl@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TO: G E. DeSeve (G E. DeSeve@eop@LNGTWY@EOPMRX)
READ:NOT READ

TO: Michael Deich (Michael Deich@eop@LNGTWY@EOPMRX)
READ:NOT READ

TO: Larry R. Matlack (MATLACK_L) (OMB)
READ:28-JAN-1997 10:41:45.85

TO: Robert B. Rideout (Robert B. Rideout @eop@LNGTWY@EOPMRX)
READ:NOT READ

TO: Mark J. Mazur (MAZUR_M) (WHO)
READ:30-JAN-1997 10:15:28.21

TEXT:
PBGC expects to have draft legislation available for distribution to the in crowd tonight. It has a VERY hard freeze, including forcing DC to pick up accruals and benefits under the OLD plan between the date of introduction and the date the new plan kicks in. (This is called an incentive in polite company; it has other names in other places.)
The plan is that we will all study the draft and whatever additional info the PBGC actuaries and -- hopefully -- the DC contract actuaries can provide about costs -- on Wednesday and then
MEET AT THE PBGC (1200 K STREET) IN THE BOARD ROOM ON THURSDAY AT 10:00 FOR A LINE-by-LINE, for as long as it takes.
If (i) you want to come; (ii) you don't want to come; (iii) you think this a really awful idea; or (iv) you want to congratulate the PBGC drafters, please e-mail me.
Ellen

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:28-JAN-1997 09:32:34.50

SUBJECT: DC Pension

TO: G E. DeSeve (G E. DeSeve@eop@LNGTWY@EOPMRX)
READ:NOT READ

TEXT:
PBGC's actuaries are doing their best to try to figure out the impact of various versions of a hard and not so hard freeze, but they really need help from DC's contract actuaries. What's happening? ellen

RECORD TYPE: PRESIDENTIAL (EXTERNAL MAIL)

CREATOR: Robert B. Rideout@EOP@LNGTWY@EOPMRX

CREATION DATE/TIME:28-JAN-1997 10:01:00.00

SUBJECT: Re: DC pensions

TO: SEIDMAN_E (SEIDMAN_E@A1@CD) (OPD)
READ:28-JAN-1997 11:34:46.72

TEXT:
Message Creation Date was at 28-JAN-1997 09:54:00

Ellen - Thank you for the update. I'm going to regroup to the role of pensions drop-out, since things are in the hands of the PBGC, who knows them best, and you've got good help here from Larry. If help is needed from OPM on anything technical, or as we deal with OPM on the possibility of taking over administration in year "X," I'll be glad to rejoin you as appropriate.

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Ellen S. Seidman (SEIDMAN_E) (OPD)

CREATION DATE/TIME:28-JAN-1997 15:59:38.23

SUBJECT: Follow on to DC courts pension issue

TO: G E. DeSeve (G E. DeSeve@eop@LNGTWY@EOPMRX)
READ:NOT READ

TO: Carol Thompson-Cole (Carol Thompson-Cole@EOP@LNGTWY@EOPMRX)
READ:NOT READ

CC: Michael Deich (Michael Deich@eop@LNGTWY@EOPMRX)
READ:NOT READ

CC: Scott Quehl (Scott Quehl@EOP@LNGTWY@EOPMRX)
READ:NOT READ

TEXT:
If the PBGC gets any press calls on this, they will say they are NOT taking over the plan, that they are only providing a drafting service, and they will then refer all calls to Carol. If you want something different, please let me know.
ellen

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:30-JAN-1997 13:43:59.00

SUBJECT: Inquiries to PBGC

TO: Carol Thompson-Cole (CN=Carol Thompson-Cole/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
As we discussed Tuesday, it's inappropriate for people to be calling the PBGC with questions about the pension transfer. They've been referring calls to your office. This morning, however, someone called Terry Deneen who, when told to call your office said you'd told him to call Terry. Since you personally were with me this morning, that's unlikely, but I wonder whether everyone in your office realizes that calls should not go to PBGC. Can you please help? thanks. ellen

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: G E. DeSeve (CN=G E. DeSeve/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 3-FEB-1997 17:20:33.00

SUBJECT: DC Pensions

TO: Michael Deich (CN=Michael Deich/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
I sent Larry King a copy of the info request from PBGC. He is forwarding it to Milliman and Robertson. I also asked him for a copy of the latest report which he is trying to locate. I will call him again in the morning to check on progress. Meanwhile, the FRMAA has a report out on pensions that I didn't find particularly valuable but would be happy to send to either of you. Basically it says we should pay the accrued unfunded. It is silent on the going forward normal cost of prior benefits. It sets D C's going forward cost at $116 per year which is why they don't think that we are producing sufficent savings.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 6-FEB-1997 19:12:11.00

SUBJECT: Re: 5500 meeting

TO: Alexander T. Hunt (CN=Alexander T. Hunt/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
You mean Rick Carro types? I think that's fine, but I think the functions may be more unified at DOL and PBGC than at Treasury. Just let's not get too big, and let's not make process decisions that don't take the substance into account. ellen

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 7-FEB-1997 13:23:00.00

SUBJECT: Revised Draft of DC Pensions MOU: 2.7.97

TO: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Larry R. Matlack (CN=Larry R. Matlack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Robert B. Rideout (CN=Robert B. Rideout/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Bruce D. Long (CN=Bruce D. Long/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Attached, please find the revised MOU for DC Pesions.

Text that is NOT stricken reflects input from Ed DeSeve, Ellen Seidman, and the PBGC. Text that IS stricken reflects input from Ed and Ellen that is taken out to reflect PBGC's recommendations.

As long as there is closure at the Monday meeting on the issues reflected in the brackets of the text, Ed supports the non-stricken text as it is presented. However, additional recommendations are always welcome and will be given strong consideration. Please let me know if you would suggest changes.

Scott

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D85]MAIL401284738.016 to ASCII,
The following is a HEX DUMP:

================= END ATTACHMENT 1 =================

MEMORANDUM OF UNDERSTANDING

PENSIONS

Draft 2. 7. 1997

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1. OMB agrees to submit legislation that: (TBD)

2. The District Agrees:

2.1. To establish a replacement plan or plans.

2.1.1. The plan(s) will cover the following groups of [employees who are or would be covered by the plans for teachers, uniformed fire and police, and judges]:

- existing employees [members? participants?] vested as of [date], whose benefits under the Retirments Program [?] will not be provided entirely by [the Federal government];

- existing employess [members?participants?]not yet vested as of [date]; and

- new employees hired on or after [date to be determined].

2.1.2. To the extent required by current law, the plan(s) will be established through collective bargaining.

2.1.3. The plans may not be amended in any manner that materially incrases the cost of the plans(s) beyond those established in this MOU.

2.2. That the cost of the plan(s) cannot exceed the sum available in the District of Columbia Budget and Financial Plan.

~~**2.1. To establish a follow-on plan or plans for existing employees not yet vested and for new employees. This plan or these plans will, if defined benefit plans, meet the Government Accounting Standards Board (GASB) 27 measurement standards, with the following additional restrictions:**~~

2.2.1. The cost of any defined benefit plan(s) will be determined in accordance with the measurement standards of Governmental Accounting Standards Board Statement No. 27 (GASB 27), with the following additional restrictions:

- limit funding method to entry age or frozen entry age as defined in GASB 27; and

- require amortization of any unfunded actuarial liability over no more than 30 years on a "closed" basis as described in GASB 27. The cost of any defined contribution plan(s) is the employer contribution required under the provisions of the plan(s).

~~2.3. All costs of any new plan must be fully reflected in the District of Columbia Budget and Financial Plan in accordance with the standards described above. If the plan is a defined contribution plan, such amounts as are necessary to meet contribution requirements must be included in the Budget and Financial Plan.~~

2.2.2. All costs of any new plan(s) must be fully reflected in the District of Columbia Budget and Financial Plan in accordance with the standards described above for the period (TBD).

2.2.3. All costs of any new plan(s) must be paid in a timely manner.

2.3. All books and records pertaining to the Existing Pension Funds[1] required by the Secretary of _______ or the Trustee must be made available to the Secretary or Trustee ~~on a date to be determined by the Secretary~~ within 30 days after the Secretary or Trustee requests them. Limited access, under terms established by the Secretary, will be provided to potential bidders to serve as Trustee or related function.

2.4. ~~The City is liable for any errors or omissions from the books and records pertaining to the Existing Pension Funds.~~ To reimburse the Trustee for all costs, including benefit payments, resulting from errors or omissions in the books and records pertaining to the Existing Pension Funds.

2.5. Any and all assets of the Existing Pension Funds required by legislation to be transferred to the Trustee shall be transferred on [date] in a form specified by the Trustee. The Trustee shall reserve the right to select the assets to be transferred. Assets to be transferred -- if less than all assets -- shall be valued by_____________ [methodology putting a value on selected assets -- Ellen is waiting for Mozelle's input]. The value of such assets shall be authenticated by the Trustee at the close of business on the day of transfer.

2.6. To administer the Existing Pension Funds until the Trustee assumes these responsibilities.

[1] We will need to include these in a definitions section.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME: 7-FEB-1997 18:43:41.00

SUBJECT: Re: D.C.: Draft MOU Conditions for Pensions

TO: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Marcia D. Occomy (CN=Marcia D. Occomy/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Larry R. Matlack (CN=Larry R. Matlack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Mark,

Thanks. I added your language on the condition of the books and records.
I think the changes made to reflect comments from Ellen and PBCG have
responded to your other suggestions.

In other news, we received new figures from the D.C. actuary through the
PBGC. I'll fax these to you.

Look forward to wrapping things up on Monday. Take care.

Scott

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 7-FEB-1997 18:18:28.00

SUBJECT: List from yesterday

TO: Mark Iwry (Mark Iwry @ 622-0236 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Vicki Judson (Vicki Judson @ 622-0236 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Joseph Grant (Joseph Grant @ 326-4016 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Marty Slate (Marty Slate @ 326-4016 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Richard Hinz (Richard Hinz @ 219-5526 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Olena Berg (Olena Berg @ 219-5526 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Alexander T. Hunt (CN=Alexander T. Hunt/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Kimberly A. Maluski (CN=Kimberly A. Maluski/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Nell Hennessy (Nell Hennessy @ 326-4016 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Stuart Sirkin (Stuart Sirkin @ 326-4085 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Stephen Lee (Stephen Lee @ 219-4745 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Meredith Miller (Meredith Miller @ 219-5526 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Alan Lebowitz (Alan Lebowitz @ 219-6531 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Judy Schub (Judy Schub @ 326-4016 @ fax [UNKNOWN])
READ:UNKNOWN

TO: MAZUR_M (MAZUR_M @ A1 @ CD @ LNGTWY [EOP]) (WHO)
READ:UNKNOWN

TO: Debra J. Bond (CN=Debra J. Bond/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Larry R. Matlack (CN=Larry R. Matlack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
If I have learned to do this right, here is the list from yesterday. Thanks for everything. (Note, there's a footnote 1, which didn't come out in this version, which lists the types of incentives we were talking about -- tax credits, higher contribution limits, softening of nondiscrimination rules, other items on the DB enhancement list.)

February 7, 1997

MEMORANDUM FOR PENSION GROUP

FROM: Ellen Seidman

SUBJECT: List of yesterday ,s brainstorming ideas

First, thanks to all for participating in yesterday ,s event with open and creative minds. Undoubtedly there still are brilliant ideas that aren ,t on this list (as well, of course, as not-so-brilliant ideas that are on the list), but this is a good start. I ,m convinced we have at least a month more together, so I hope we can really make progress.

As we discussed yesterday, the chance that I ,ve gotten some of these totally screwed up is high. So please, let me know and we ,ll get out a revision.

Portability

1. Enhance transferability form 403(b) to 401(k) plans.
    Look at Nell ,s old chart
    Issues: Topping up allowed in 403(b)
        No nondiscrimination in 403(b) for elective accruals
        10-year averaging still exists for grandfathered participants

2. Enhance the ability to buy in by loosening the 415 contribution limits for buy-ins.

3. Liberalize the cash balance rules, especially concerning: accruals, nondsicrimination, lump sum distributions and age discrimination. (Note: this is also a DB enhancement idea)

4. Provide incentives Some incentives we discussed were (i) increased contribution limits (i.e., above $9500); (ii) relaxing or just simplifying nondiscrimination rules or testing; (iii) tax credits; and (iv) most of the other restriction-loosening ideas on the DB enhancement list. for:

Plans (DB and DC) that have very fast vesting;
DCs that include interest on the employer ,s contribution in a payout
Contributory DBs that pay interest on employee ,s contribution in a payout
DCs with a rich employer match
Buy-ins

5. Universal payroll deduction

6. Indexation

7. Professional plans/ trade association plans

8. 401(k) makeup rule like 403(b) rule

9. Allow DB buyins to bring people up to FAP(?) level

10. Treasury Direct for pensions (i.e., pre-tax purchase of Treasury securities direct from Treasury, held at Treasury)

11. Allow people to direct tax refunds into IRAs

12. Federal government will allow service credit for private employer service to any private employer who agrees to allow service credit for federal workers

13. Simplify funding rules for multiple employer plans

14. Allow financial institutions that are direct deposit recipients to function as plan sponsors, so such deposits could be pre-tax.

Preserving/Enhancing DBs

1. Revise the 150% full funding limit

2. Allow projections of benefit and compensation levels for funding (401(a)(17)), 415

2a. Increase 415 benefit limits

3. Make 415 limits work better with early retirement subsidies

4. Allow tradeoffs, with respect to nondiscrimination, among features, rather than requiring nondiscrimination on a feature-by-feature basis

5. Move back to pre-1986 nondiscrimination rules

6. Simplify 411(d)(6), the anti-cutback rule

7. Reduce the flat rate ($19) PBGC premium

8. Allow pre-tax employee contributions in DBs

9. Allow the employer match in a 401(k) plan to be used to fund the employer ,s DB plan

10. Provide incentives1 to encourage transfer of DC account balances to DB plan on retirement or separation.

11. Provide incentives1 for less integration.

12. Raise full funding limits for multiple and multi-employer plans

13. Allowing pooling of funding on multiple employer plans so there ,s limited termination -- last one out -- risk

14. VERY simple combined DB/DC option for midsize employers

15. Allow association-based DB plans, e.g., NFIB. (Professional group plans are in this category too.)

16. Relaxed funding rules/premium waivers for plans that grant big past-service credits.

17. Enable small DCs to grow into DBs by, e.g., reducing funding requirements for past service credits, premium reductions, loosening floor-offset rules

18. US government to publish simple model DB plans

19. Put DBs in cafeteria plans, e.g., service credits, salary reduction

20. DB NESTs

21. Self-regulatory Organizations for DBs

22. Liberalize cash-balance rules

Annuities

1. Let DC balance into DB for annuitization on retirement (Is this proposal to make it an employee right? Can ,t employers allow this now?)

2. Make annuities -- fixed and variable -- available through the Federal Thrift Savings Plan. (Note: I think fixed annuities are available)

3. Require annuities as a retirement option on DCs

4. Incentives1 for DCs that require annuitization (or buy annuities as you go)

5. Incentives1 for annuity education

Further activities

1. TIAA-CREF pension summit - govt co-sponsor? (We thought not)
2. NAM multiple-employer meeting - Ellen to call Steve Elkins
3. Meeting with small public plans, labor - Mark to call Randy
4. CSIS interaction
5. Education summit

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Alexander T. Hunt (CN=Alexander T. Hunt/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:10-FEB-1997 12:42:48.00

SUBJECT: 5500 meeting

TO: Kimberly A. Maluski (CN=Kimberly A. Maluski/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Debra J. Bond (CN=Debra J. Bond/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Stu Sirkin just informed me that PBGC now has a scheduling conflict with the 5500 meeting. I will ask participants if 3:00 on the 20th is okay instead (this would be convenient for those attending the pension working group meeting at 4:30 in the OEOB).

When I ask about availability at 3:00, I would also like to propose a meeting agenda (attached) and ask that principals preferably come alone (and be limited to one additional person if absolutely necessary). Please let me know if you can meet at 3:00 and if you have comments about the agenda.

Many thanks.

5500 Meeting Agenda

The purpose of this meeting is to (1) reach agreement on procedural issues concerning the Paperwork Reduction Act clearance process and (2) discuss progress toward meeting the objectives of shortening and simplifying the 5500.

Procedural Issues

Agency submission and OMB review of the 5500 . To improve the clearance process, we must decide how:

(1) the agencies coordinate revisions and extensions;
(2) the agencies make submissions to OMB (i.e,. separate or single submissions?); and
(3) OMB assigns control numbers.

Estimating and accounting for 5500 paperwork burden. To ensure that the public understands which agencies are responsible for which data elements and their associated burdens, we must decide:

(1) how to attribute questions and burden to each agency;
(2) how to identify specific revisions with the agency/agencies requesting them; and
(3) which burden estimation methodology will be used to measure burden consistently.

The New 5500

Shortening/simplification of the 5500. We will discuss the degree to which the new draft (to be circulated before the meeting) achieves the Administration's pension simplification and burden reduction objectives. We will have to agree on how to measure burden reduction.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Wendy J. Einhellig (CN=Wendy J. Einhellig/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:10-FEB-1997 11:21:55.00

SUBJECT: Pension Simplification Working Group

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
PBGC would like to add an additional person as a regular to the meetings:
David Gustafson. OK with you?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:12-FEB-1997 19:30:21.00

SUBJECT: D.C. Pensions: 2.12.97 Draft

TO: Marcia D. Occomy (CN=Marcia D. Occomy/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: James J. Jukes (CN=James J. Jukes/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Harry G. Meyers (CN=Harry G. Meyers/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Larry R. Matlack (CN=Larry R. Matlack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Bruce D. Long (CN=Bruce D. Long/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Daniel M. Tangherlini (CN=Daniel M. Tangherlini/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Alan B. Rhinesmith (CN=Alan B. Rhinesmith/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Please find the attached Feb. 12th draft of the pensions MOU. It reflects revisions by Ellen Seidman and the PBGC. Please send in any comments or recommended changes tomorrow. Thanks.

Scott=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D60]MAIL43287724A.016 to ASCII,
The following is a HEX DUMP:

================= END ATTACHMENT 1 =================

MOU

PENSIONS

Draft 2. 12. 97

A. The District Government agrees:

1. <u>To establish a Replacement Plan for the Retirement Program</u>

1.1. The Replacement Plan will be satisfactory to the Secretary, will cover all existing and new Employees who are, or would be, covered by the Retirement Program, if the Retirement Program continued unchanged, and will be established by the date specified in the Revitalization Act.

1.2. To the extent required by current law, the Replacement Plan will be established through collective bargaining.

1.3. After the Adoption Date, the Replacement Plan may not be amended in any manner that materially increases the cost of the Replacement Plan beyond those established in this MOU without provision of a mechanism for funding such increases in accordance with Section 2.

2. <u>That the cost of the Replacement Plan will not exceed the sum available in the District of Columbia Budget and Financial Plan</u>.

2.1. The cost of any defined benefit plan will be determined in accordance with the measurement standards of Governmental Accounting Standards Board Statement No. 27 (GASB 27), with the following additional restrictions:

2.1.1. funding methods will be limited to entry age or frozen entry age as defined in GASB 27; and

2.1.2. amortization of any unfunded actuarial liability is required over no more than 30 years on a "closed" basis as described in GASB 27.

2.2. The cost of any defined contribution plan is the employer contribution required under the provisions of the plan.

2.3. All costs of the Replacement Plan must be fully reflected in the District of Columbia Budget and Financial Plan in accordance with the standards described above for each fiscal year.

2.4. All costs of the Replacement Plan must be paid in a timely manner.

3. <u>To transfer copies of books and records of the Retirement Program and the Fund and to be responsible for errors and omissions</u>

3.1. Copies of all books and records pertaining to the Retirement Program and the Fund required by the Secretary of the Treasury or the Trustee must be made available to the Secretary or Trustee within 30 days after the Secretary or Trustee requests them.

3.2. The District will reimburse the Trustee for all costs, including benefit payments, resulting from errors or omissions in the books and records pertaining to the Fund.

4. <u>To transfer assets from the Fund</u>

4.1. Any and all assets of the Fund required to be transferred to the Trustee shall be transferred on the Transfer Date in a form specified by the Trustee. [The following will likely be stricken, but is here as a place holder until it is finally determined if any assets will be left] ~~The Trustee shall reserve the right to select the assets to be transferred. Assets to be transferred -- if less than all assets -- shall be valued by______________ [methodology putting a value on selected assets]. The value of such assets shall be authenticated by the Trustee at the close of business on the day of transfer.~~

4.2. The District will administer the Fund until the Trustee assumes these responsibilities. The Federal government will reimburse the District Government for any benefit payments made during the period between the Freeze Date and the Transfer Date.

DEFINITIONS IN THE ACT

"Adoption Date" means the date the Replacement Plan is adopted by the District Government or, if later, October 1, 1997.

"District Government" means, as appropriate, the "District government" as defined by section 305(5) of the District of Columbia Financial Responsibility and Management Assistance Act of 1995 (Pub. L 104-8) or the District of Columbia Retirement Board as defined in section 102(5) of the Reform Act.

"Employee" means ______________

"Freeze Date" means the date of introduction of the Revitalization Act.

"Fund" means the District of Columbia Police Officers and Fire Fighters' Retirement Fund, the District of Columbia Teachers' Retirement Fund, and the District of Columbia Judges' Retirement Fund as defined in section 102(10) of the Reform Act.

"Reform Act" means the District of Columbia Retirement Reform Act (Pub. L. 96-122).

"Replacement Plan" means the plan or plans described under Title I of the Revitalization Act.

"Revitalization Act" means the "District of Columbia Revitalization Act of 1997."

"Secretary" means the Secretary of the Treasury or the Secretary's designee.

"Transfer Date" means the District of Columbia Retirement Trust created under Title I of the Revitalization Act.

"Trustee" means the person designated by the Secretary of the Treasury under Title I of the Revitalization Act.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: G E. DeSeve (CN=G E. DeSeve/OU=OMB/O=EOP [UNKNOWN])

CREATION DATE/TIME:15-FEB-1997 12:49:31.00

SUBJECT: D.C. Update: 2.14.97

TO: Carol Thompson-Cole (CN=Carol Thompson-Cole/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Michael Deich (CN=Michael Deich/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Franklin D. Raines (CN=Franklin D. Raines/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

Rebecca R. Culberson (CN=Rebecca R. Culberson/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TEXT:
Pensions and other Numbers

The first section of Scott's report below points out exactly the problem we have been trying to anticipate by getting the City to put numbers on the table. I haven't seen courts or prisons but I hear that progress is being made. Larry King does not himself have 25 year cash flow numbers from the actuary so the numbers that Scott has been working with are the best available. Larry promises that as soon as he has them we will have them.

Ellen Seidman and I have been working to see if we can separate disability into two parts. The first is that which the individual would have earned if he or she had received a normal pension and the second of which is the additional amount of liability that is due to the determination of disability. We believe that it is possible to separate these components. We would leave the disability component with the City and take the liability for the normal retirement component. PBGC is thinking about how to cost this option.

Economic Development

The meeting at Commerce went very well. I would ask Ellen Seidman to add her comments when she reads this. Treasury took responsibility for preparing a simple one or two page description of what the proposal for the EDC entails. They should have this early next week. The group agreed to recommend to Frank, Bob Rubin and if desired Secretary Daley and or Secretary Cuomo, a three part strategy for rolling out and starting up the EDC. The first phase would involve rounding up the usual DC suspects from the DC Chamber, Board of Trade, Federal City Council and their DC Agenda Project Economic Development Strategy Group, the City and the Authority plus anyone else we feel would be helpful (eg. Johnson from BET, Abe Polin) and have some combination of Frank, Bob and Sec.s Daley and Cuomo present the plan for the EDC. We would have pre-breifed a number of the members of the audience so that their understanding of the plan can lead to their support.

At this meeting, Frank and Bob would ask the groups to nominate individuals who would serve on an Organizing Committee that would be responsible for planning how the entity would operate once legislation was put in place and which would more broadly seek "support" of the activities of the EDC from elements of the local, regional, and even national business and civic communities. This Organizing Committee would not in anyway lobby for the legislation. If the groups mentioned above chose to voice their support that would be their own business. It is possible but not required that some of the Organizing Committee members could be on the Board of the EDC. The Commerce Department agreed to see if there are some national/international individuals who might join in the roll out and even be asked to serve on the Organizing Committee.

The third phase would be the building of support and beginnings of a strategy being developed by the Organizing Committee at the same time that the Legislation was being considered.

Next steps are for Treasury to produce the summary, for Frank and Bob to decide where, how and when a roll out would occur. The consensus was that although it did not have to happen immediately, it would be good to do it before the legislation was introduced in late April or early May.

MOU Process

The reinforcing of the dicta that legislation would not change the DC Code has sent Justice back to the drawing board on their MOU language. I don't think the problem is substantive and anticipate that an acceptable draft will be available by COB Tuesday.
As Scott notes below, Treasury has some new language. I have a couple of substantive points such as, " why limit cash flow financing to 9/30/98?". We have a meeting on Tuesday that should allow us to iron these issues out. I anticipate that we will shorten the MOU language and reserve much of the discussion for the legislation because there is nothing that the District must do before the legislation will be effective. All of Treasury's conditions govern borrowing after the legislation is approved.

My key question for all of you is do we want to provide the District and the Authority with a draft of the MOU on Wednesday? If we do that, it may be in the Post on Thursday when Frank is testifying .
Another approach is to establish working groups in each of the areas.
our I don't think that Medicaid, Courts, Treasury Borrowing , Economic Development or Taxation will be a problem. Pensions will be complicated and we will need to agree on the mathematics of what the language means. The role of the Board of Pensions is likely to complicate matters at some point. The most difficult one will be Prisons. Holder and Justice will have to negotiate directly with someone in Council and the City (Mayor plus Rodgers plus Margaret Moore) with the Authority in the room. As I mentioned previously, Chuck Ruff is anxious to be helpful and very knowledgeable about the issues.

My recommendation is that at Wednesday's meeting Frank verbally present the conditions from the MOU and get reactions. The parties at that meeting would agree in which areas sub-groups would be set up and who would participate. The sub-groups would be given a deadline for agreement on the technical aspects of each condition in the MOU and would report back to their principal on their substance. A target date would be established for the next principals meeting at which time any disagreements could be discussed and an agreement "initialed". Initialing would represent a commitment of the principal to bring the MOU back to their respective organization with a recommendation for approval. A deadline would be set for such approval. Once approval was achieved, the sections of the legislation would be formally given to Davis for final legislative drafting and negotiation where necessary . Davis's own deadline is to have a bill passed before the Memorial Day recess in late May.

Please let me know what you think on Tuesday.
---------------------- Forwarded by G E. DeSeve/OMB/EOP on 02/15/97 11:52 AM ---------------------------

Scott Quehl
02/14/97 07:12:07 PM
Record Type: Record

To: G. E. DeSeve/OMB/EOP
cc:
Subject: D.C. Update: 2.14.97

Medicaid

Today, OMB's Mark Miller and Nani Coloretti met with Jearline Williams and Paul Offner from the Mayor's staff, Doneg McDonough from the Control Board, Roland Helveijian from the CFO's office, and with D.C. Councilmember at-large Linda Cropp and Chris Murray from her staff. At issue was the latest Mayor's FY 1998 Medicaid baseline and the baseline that our independent HCFA actuary developed for the FY 1998 President's Budget.

Overall, both Paul Offner and Linda Cropp agreed that while our estimates were different, we could use the HCFA estimates as long as we noted in our talking points that our proposal will provide the District with 70% Federal funding for Medicaid benefits, no matter what the actual level of D.C. Medicaid spending. In other words, the estimates don't drive the benefit to D.C. -- D.C. will be matched at 70% on whatever they spend in the future.

However, D.C. staff are interested in providing a more updated D.C. Medicaid baseline. We agreed to look at updated D.C. numbers, which they are going to submit by COB Tuesday. In particular, D.C. staff believe that the 1998 number should be higher, and thus the projected net benefit to the city should be higher. We noted that our 1998 number was obtained from an official submission from D.C. to HCFA. In providing new numbers, D.C. agreed to provide a justification of the difference between the FY 1998 spending estimate they submitted to HCFA in November and the FY 1998 spending estimate in the Mayor's budget.

In the meantime, HFB staff recommend that we continue to use the FY 1998 President's Budget estimate. It should be noted that our estimated 5-year total for net benefit to the District are fairly close (about 5-6% different, or approximately $50 million over the 5 year period).

Treasury Financing

Treasury sent to OMB today a new draft of the financing legislation and Statement of Intent. The language still limits Treasury's authority to extent inter-year loans for only one year: through the end of FY 1998 The conditions for each intermediate-term advance include:

1. The Mayor must deliver to the Secretary:

1.1. a financing agreement in which the Mayor agrees to procedures for requisitioning intermediate-term advances;

1.2. a requisition for each advance; and

1.3. a promissory note evidencing the District's obligation to repay the Treasury for the advance.

2. The requisition cannot be made after September 30, 1998.

3. The District must deliver to the Secretary:

3.1. evidence satisfactory to the Secretary that the District is unable to obtain credit in the public credit markets in sufficient amounts and on sufficiently reasonable terms to liquidate the District's accumulated deficit; and

3.2. a schedule setting out the anticipated timing and amounts of requisitions for intermediate-term advances.

4. The Authority must deliver to the Secretary its certifications that:

4.1. there is an approved financial plan and budget in effect under the District of Columbia Financial Responsibility and Management Assistance Act of 1995 for the fiscal year in which the requisition is to be made;

4.2. the District is in compliance with the approved Budget and Financial Plan;

4.3. both the receipt and repayment of the advance are consistent with the approved Budget and Financial Plan for the year;

4.4. advance will not adversely affect the financial stability of the District; and

4.5. the District is unable to obtain credit in the public credit markets in sufficient amounts and on sufficiently reasonable terms to liquidate the District's accumulated deficit.

5. The District's Inspector General (IG) must deliver to the Secretary a certification as to same matters certified by the Authority. The IG may rely upon an audit conducted by an outside auditor engaged by the IG if the IG concurs in the audits's findings.

6. The Secretary must determine that:

6.1. there is reasonable assurance of repayment of the intermediate-term advance; and

6.2. the debt that the District will owe to the Treasury for the intermediate-term advance will not be subordinate to any other debt owed by the District.

7. The Secretary receives such additional certifications and opinions as the Secretary determines appropriate.

8. Each intermediate-term advance shall be made in the amount requisitioned by the Mayor if the following conditions are satisfied:

8.1. The Mayor must deliver his certification to the Secretary that the requisitioned amount is needed to liquidate the accumulated deficit of the general fund within 30 days of the time that the Mayor's requisition is delivered to the Secretary.

8.2. The Authority must concur in the Mayor's certification regarding the requisitioned amount.

8.3. The total amount of all intermediate-term advances must not greater than $500,000,000.

8.4. Each intermediate-term advance shall mature on the date designated by the Mayor in the requisition for the advance as long as the designated maturity date is not later than 15 years from the date on which the first intermediate-term advance is made.

9. If the Secretary determines that the District is able to obtain credit in the public credit markets or elsewhere in amounts and on terms sufficient to refinance all or a portion of the unpaid balance of the advance without adversely affecting D.C.'s financial stability, the Secretary may require the District to repay the Treasury all or a portion of the unpaid balance of the advance prior to its maturity.

10. The interest on each intermediate-term advance will be based on the yield of outstanding marketable Treasury securities having comparable maturities, plus 1/8th of 1 percent a year.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:18-FEB-1997 09:38:09.00

SUBJECT: Change of Room for 5500 Meeting

TO: Rae.Michael (Rae.Michael @ PBGC.GOV @ inet [UNKNOWN])
READ:UNKNOWN

TO: Sirkin.Stuart (Sirkin.Stuart @ PBGC.GOV @ inet [UNKNOWN])
READ:UNKNOWN

TO: Canary~Joe (Canary~Joe @ PWBA.DOL.GOV @ inet [UNKNOWN])
READ:UNKNOWN

TO: Carol Gold (Carol Gold @ 622-5805 @ fax [UNKNOWN])
READ:UNKNOWN

TO: Larry R. Matlack (CN=Larry R. Matlack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Debra J. Bond (CN=Debra J. Bond/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Hennessy.Nell (Hennessy.Nell @ PBGC.GOV @ inet [UNKNOWN])
READ:UNKNOWN

TO: Hinz~Richard (Hinz~Richard @ PWBA.DOL.GOV @ inet [UNKNOWN])
READ:UNKNOWN

TO: Garrick.Shear (Garrick.Shear @ WPGATE.IRS.GOV @ inet [UNKNOWN])
READ:UNKNOWN

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Kathleen M. Turco (CN=Kathleen M. Turco/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Alexander T. Hunt (CN=Alexander T. Hunt/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Thursday's meeting will be held in NEOB room 8116.

New Executive Office Building
725 17th Street, Room 8116
February 20, 1997
3:00-4:00

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Melissa Y. Cook (CN=Melissa Y. Cook/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:19-FEB-1997 12:03:11.00

SUBJECT: PBGC 1996 Annual Report

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Could you please let me know by 4:00pm TODAY (Feb. 19th) if you have any comments on PBGC's 1996 Annual Report (LRM #AMB7)? If I do not hear from you by then, I will assume that you do not have any comments on this report.

Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:26-FEB-1997 17:26:08.00

SUBJECT: Re: DC pension - new draft

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: John H. Gibbons (CN=John H. Gibbons/OU=OSTP/O=EOP @ EOP [OSTP])
READ:UNKNOWN

CC: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: James J. Jukes (CN=James J. Jukes/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
I do realize that you all won't be with us. I believe that this will be
at least a two step process.
We will share our policies and concerns tomorrow and ask that the actuary
prepare analysis to demonstrate the economic effects of these policies.
We think we know what they will show but we won't hand out our numbers.
We will also share the language in the MOU indicating that it is a first
draft and that NEC and PBGC are not represented here today and that while
they have reviewed the language, they wish to participate in the dialogue
with the District about it.

I am going to do an agenda shortly and will circulate it. The MOU language
I am going to share is from the 2/18 version unless Scott tells me that
you have put in play a more recent version.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:26-FEB-1997 17:50:51.00

SUBJECT: Pension Meeting Agenda

TO: Carol Thompson-Cole (CN=Carol Thompson-Cole/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Michael Deich (CN=Michael Deich/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

Toni S. Hustead (CN=Toni S. Hustead/OU=OMB/O=EOP [OMB])
READ:UNKNOWN

TEXT:
Below is the agenda of tomorrow's DC pension meeting. Scott has sent out a list of invitees and we are happy to have more.

Purpose: To discuss the elements of the President's Plan for DC Pensions and to agree on the analytic and information gathering next steps that the group should take

1. Intent of the President's Plan

- To ensure the timely and full payment to all beneficiaries back by the full faith and credit of the Federal Government where appropriate.
- Accept significantly all of the liability for the pensions of Teacher's, Firefighters, Police and judges.
- To properly assign responsibility for items such as disability and years of service
- To achieve an affordable going forward cost for the District

2. Basis for Analysis
- Milliman & Robertson (M&R) Valuation as of October 1, 1996 for Fiscal Year 1998
- Revisions by M&R as agreed to by the parties
- The Mayor's Budget and Financial Plan for FY 97 as approved by the Financial Responsibility Authority

3. Sharing of information and views
- Federal government is happy to share our analysis and PBGC will do so with whomever other parties designate
- Need for agreement

- Views should be shared but need not be unitary
- Different responsibilities and duties must be respected

4. MOU
   - Process
   - Pension Conditions

5. Next Steps

and Congress

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Wendy J. Einhellig (CN=Wendy J. Einhellig/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:26-FEB-1997 10:16:06.00

SUBJECT: Flights

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
For you to fly out of National on the flight with PBGC folks will cost $546. To fly out of Dulles will cost $194. Still want to fly out of National?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: James J. Jukes (CN=James J. Jukes/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:26-FEB-1997 16:36:05.00

SUBJECT: Re: DC pension - new draft

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: M. Jill Gibbons (CN=M. Jill Gibbons/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
We don't have one and PBGC is refusing to supply one until Ed or you specifically ask them to give it to us.

Ellen S. Seidman
02/26/97 01:14:23 PM
Record Type: Record

To: G. E. DeSeve/OMB/EOP, James J. Jukes/OMB/EOP, John H. Gibbons/OSTP/EOP
cc:
Subject: DC pension - new draft

Obviously I should know this, but is there a recent draft of the pension bill? Treasury is asking for one, and I'd like one too. Also, Ed, you realize you won't have me, Stuart or Mark Iwry tomorrow. ellen

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:26-FEB-1997 17:38:20.00

SUBJECT: Re: DC pension - new draft

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
EEK I think there is a more recent version. Here's what I created based on our somewhat hasty discussions that evening, working from Scott's previous draft. Also, PBGC will be represented by Dave, Jane and Terry. Only Stuart from the group is going up. Good luck. ellen =================== ATTACHMENT 1 ===================

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D94]MAIL425536654.016 to ASCII,
The following is a HEX DUMP:

================= END ATTACHMENT 1 =================

A) To establish replacement retirement programs, through collective bargaining if applicable, that cover new and existing employees who are or would have been covered by the transferred retirement programs.

A.1. Once the new retirement programs are adopted, they may not be amended to increase their costs without providing a means to fund the increase.

B) That the cost of the replacement retirement programs will not exceed the sum available in the District of Columbia Budget and Financial Plan.

B.1. The cost of any defined benefit plan will be determined in accordance with the measurement standards of Governmental Accounting Standards Board Statement No. 27 (GASB 27), with the following additional restrictions:

- funding methods will be limited to *entry age* or *frozen entry age*; and
- amortization of any unfunded actuarial liability is required over no more than 30 years on a *closed* basis.

B.2. The cost of any defined contribution plan is the employer contribution required under the provisions of the plan.

B.3. All costs of the replacement retirement programs must be reflected in the *D.C. Budget and Financial Plan* in accordance with the standards described above.

B.4. All costs of the replacement retirement program must be paid in a timely manner.

C) To transfer copies of books and records of the Retirement Program and the Fund and to be financially responsible for errors and omissions

D) To transfer assets from the Fund

D.1. Any and all assets of the Fund required to be transferred to the Trustee shall be transferred on the Transfer Date in a form specified by the Trustee.

D.2. The District will administer the retirement programs until the Trustee assumes these responsibilities. The District government will reimburse the Fund before the transfer date for any benefits paid out of the fund between the freeze date and the transfer date that exceed payments that would have been the responsibility of the Federal government if the transfer had occurred simultaneously with the freeze.

E) To implement reforms in the retirement program.

E.1. The District will enact legislation to authorize Cost-Of-Living-Adjustments (COLAs) for the beneficiaries in question at a rate acceptable to the Federal government.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:26-FEB-1997 11:47:10.00

SUBJECT: Seal Named PBGC Acting Executive Director

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
---------------------- Forwarded by Mark D. Menchik/OMB/EOP on 02/26/97
11:48 AM ---------------------------

No. 38 Wednesday February 26, 1997

Main View
Cases
Economic News Highlights

Print
Search

REGULATION, ECONOMICS AND LAW

Employment
Administration Opposes Senate Bill That Would Allow Comp Time For Overtime

A GOP-backed bill (S 4) that would allow hourly wage workers to accept compensatory time off in lieu of overtime pay does not provide enough protection for workers and would be vetoed by President Clinton, a Labor Department spokeswoman said Feb. 25.

Acting Labor Secretary Cynthia Metzler was expected to outline the administration's objections to the bill in a letter to Sen. James M. Jeffords (R-Vt), chairman of the Senate Labor and Human Resources Committee, the spokeswoman said. The committee was scheduled to meet Feb. 26 to vote on the legislation sponsored by Sen. John Ashcroft (R-Mo).

According to the spokeswoman, Vice President Al Gore outlined the administration's opposition to the bill during his meeting with labor leaders last week in Los Angeles. The vice president told officials of the AFL-CIO that the president would veto the Ashcroft bill in its present form, the spokeswoman said. Gore also made clear that the administration does not take the position that approval of comp time legislation, which is a high priority of Republicans, should be tied with the president's proposal to amend the Family and Medical Leave Act, she said. The president has proposed granting workers 24 hours of unpaid leave per year to attend children's school activities.

Clinton has advocated amending the Fair Labor Standards Act to permit hourly wage workers to take comp time, but Republicans have taken no action on recommendations the president made during the last Congress, according to a Labor Department spokesman.

Democratic opponents of the Ashcroft bill maintain that employees would be vulnerable to employer pressure to accept time off instead of compensation, and contend that it gives employers too much discretion as to when comp time can be taken. Proponents argue that many workers would prefer to have extra time off to be with their families, instead of having the single option of overtime pay.

The committee also was scheduled to vote Feb. 26 on the Teamwork for Employers and Managers Act (S 295), which is intended to make it easier for companies to establish employee involvement teams in the workplace. The measure is identical to a bill that was vetoed by President Clinton last August.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:28-FEB-1997 16:24:01.00

SUBJECT: Re: COLA changes to existing plans

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Boy am I glad you are helping to work on this. We gave the principals (District, Council, and FRMAA) a copy of the draft pension conditions yesterday. The final condition was a blank proviso on plan changes. I would like to discuss , probably Tuesday or Wednesday of next week , the conditions and what is possible in the area of plan changes for existing employees. Frank is much more comfortable on the ability to make changes than I am. We may have to ask PBGC or someone to give us a legal breif.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:28-FEB-1997 12:52:36.00

SUBJECT: D.C. Pensions: Response to Mica

TO: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
There are a few small changes noted. The only major question is what we want to say about judges. Also, my understanding is that, after yesterday's meeting, we may have to rejigger our proposal to take future service and/or leave some assets. My fixes probably could be interpreted as allowing us to leave some assets, but we're pretty specific about future service. Do we need to be? You COULD solve the problem by deleting the stuff in brackets in the second paragraph, but that leaves the status of the current employees' benefits very ambiguous. If you add the stuff in red at the end of the first sentence of the second paragraph, you solve it, but then you commit yourself to more than I think we're ready to do. The word "virtually" still appears in the first paragraph, but I think that's OK because I'm almost certain we're going to try to leave them with some disability.
---------------------- Forwarded by Ellen S. Seidman/OPD/EOP on 02/28/97 12:46 PM ---------------------------

Scott Quehl
02/28/97 12:24:14 PM
Record Type: Record

To: Ellen S. Seidman/OPD/EOP
cc:
bcc:
Subject: D.C. Pensions: Response to Mica

Ellen,

Welcome back. Unlike what was sent to you before, what is written below reflects the responses of Michael Deich, Ed, PBGC, and OMB career staff on the answer to the question posed by Chairman Mica. Any changes before we send it out this afternoon?

Scott

6. The President ,s Budget proposes to assume both the assets and liabilities of the District of Columbia ,s pension programs covering police, firefighters, judges and teachers. During the five years covered

by this budget, this action is presented as revenue-neutral.

Please describe for the Subcommittee the President ,s plan for assuming the assets and resolving the liabilities associated with these pension plans. Please provide, too, the methods by which this plan was developed, and a description of alternative proposals to address any problems identified in developing this plan.

DESCRIPTION OF PRESIDENTS PENSION PROPOSAL.

What the Pension Proposal Would Do. Beginning in FY1998, the Federal government would assume both financial and administrative responsibility for a major share of the benefits payable under the District ,s retirement programs for police and firefighters, teachers, and judges. Upon enactme nt of legislation providing the transfer and the District establishing replacement plans as specified in the Memorandum of Understanding, the Federal government would take responsibility for virtually all pension benefits accrued under the plans for all active and retired employees, as of the date the legislation is introduced. Assets of the retirement plans will be transferred to the Federal government. The Federal government would pledge its full faith and credit to meet its responsibilities to these beneficiaries.

The Federal government would make full benefit payments to current retirees and beneficiaries, and would pay virtually all benefits of current employees. [It would "freeze" benefits payable to current employees based on service earned as of the date the legislation is introduced, and would pay their future retirement, death and some of their disability benefits to the extent they are earned based on the frozen service. Under the current proposal, current employees would be able to count future service with the District toward vesting and eligibility for retirement benefits, but not for the amount of the benefits. While the Federal government, therefore, would not be responsible for benefits earned during future years of service by members of the current retirement programs, these members would get the benefit of pay increases on the frozen benefits. Frozen] benefits would continue to be subject to cost-of-living adjustments under the terms of the existing programs.

Employees hired after the freeze date would belong to the new District plans, not to the plans taken over by the Federal government. All employee contributions subsequent to the freeze date would be made to the new District plans. [This isn't true of judges -- do you want to say so here?]

A third-party Trustee would be appointed by the Federal government to administer the plan and invest pension assets. The benefits would be backed by the full faith and credit of the Federal government.

The existing assets would be liquidated as needed and used to make payments to beneficiaries. Federal outlays would be needed only after the existing assets are exhausted.

What Would the District Have to Do to Make the Plan Work? The District government would sign a Memorandum of Understanding with the Federal government in which it agrees to establish and properly fund and budget for the funding of replacement plans, transfer books and records and assets to the Trustee, and make certain reforms in the retirement programs.

PROCESS FOR DEVELOPING THE PLAN & ALTERNATIVE PROPOSALS.

Since the spring of 1996, the Administration has worked with District stakeholders to consider various proposals regarding the District ,s pension system. The President proposed in his FY1997 Budget to provide the District an additional $52 million a year toward its unfunded pension liability in 1997, and a growing stream of payments in subsequent years (with a present value of about $3 billion) -- a proposal that was not enacted into law. The Administration has reviewed the proposal put forward by District Delegate Eleanor Holmes Norton. It has also assessed the recommendations of the D.C. Appleseed Foundation to have the Federal government assume the assets and liabilities associated with the pension systems of teachers, police and firefighters, and judges.

A Federal government working group composed of the Departments of Labor and Treasury, Office of Management and Budget, National Economic Council, and the Pension Benefit Guaranty Corporation has been developing the details of the framework presented by OMB Director Franklin D. Raines. The working group is also drafting a Memorandum of Understanding which will be shared with the District shortly.

As with the other elements of the President ,s Plan, we are working with the District government and Financial Authority to use common actuarial and budget numbers -- based on analysis by the D.C. actuary -- to finalize costs, savings, liability, and cash flows associated with the pension proposal.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:28-FEB-1997 17:28:56.00

SUBJECT: Re: COLA changes to existing plans

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
HELP!! Do you want me to start the legal balls rolling?

Also, PBGC will have M&R run the numbers without any of the extra stuff - judges, overtime or COLAs. They will, however, draft to include all the judges, including new hires.

Also, you should be aware that everything is drafted, and all the numbers are run, in a manner that gives DC all the back-ended [higher] accrual rates. This is apparently particularly an issue with the teachers, who have a three tier system. Example: say a teacher accrues at the rate of 1.5% per year of service for the first 15 years, 2% for the next 10 and 2.5% for the next 5, and the teacher works 15 years before the freeze and 15 years after. The way we have things drafted now, we pay only at a 1.5% accrual rate, instead of the average accrual rate of ((1.5*15)+(2*10)+(2.5*5))/30=1.8333333. This obviously benefits us at the expense of the District. Jane is not sure by how much, but she thinks it may be alot for the teachers. I 've told her to keep things running as they are, but to try to get the differential, as this might be an easy way to throw some extra money to the district.

ellen

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:28-FEB-1997 08:50:46.00

SUBJECT: Re: Comment on pension MOU -- COLAs

TO: M. Jill Gibbons (CN=M. Jill Gibbons/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Mark's suggestions on COLAs are good in theory but miss an important point. Frank wants DC to agree to fix this for the OLD plans, and obviously would prefer they not be double for the new plans, BUT THE ENTIRE ISSUE IS BEING LEFT TO THE DC GOVERNMENT AND COLLECTIVE BARGAINING< PARTICULARLY AS TO THE NEW PLANS. The suggested langugage would violate this pledge we've made to them.

I'm also not inclined to change the "in a timely manner" langauge. For one thing, the contribution schedule on a DC plan will be quite different than on a DB plan, and we don't know what they'll come up with, although I'll agree the DB is a better bet. I know for a number of reasons we don't want to bind them to ERISA rules. I wonder whether there's a GASB rule on this similar to the rule on the AMOUNT of funding. I've asked the PBGC to check. I will get something from them when we talk at 10.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:28-FEB-1997 16:17:10.00

SUBJECT: Re: Informing PBGC on COLAs, Overtime, and Judges

TO: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Go ahead as we discussed and ask them to run the system as it is. As we agree with the District what the issues for potential plan changes are, we will run estimates of the individual elements. But let's get a base case in the bag ASAP. Could you ask PBGC to ask MR when this run might be done so we can set a meeting on numbers.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:28-FEB-1997 16:19:58.00

SUBJECT: Re: D.C. Pensions: COLA, OVERTIME, JUDGES

TO: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Ellen/Scott, It occurs to me that we might save some time and eliminate the middle man if we join the MR PBGC meeting. I am happy to go there if it would facilitate things. However, I don't want to annoy PBGC by seeming to be looking over thier shoulder? What do you think?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:28-FEB-1997 12:25:11.00

SUBJECT: D.C. Pensions: Response to Mica

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
Ellen,

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to finalize costs, savings, liability, and cash flows associated with the pension proposal.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:28-FEB-1997 12:03:55.00

SUBJECT: Informing PBGC on COLAs, Overtime, and Judges

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Ed and Ellen,

Dave Gunderson and Jane Pachelli of PBGC have asked for specific guidance on how to treat judges, restrictions on excessive overtime, and elimination of double COLAs for the purposes of working with Milliman and Robertson to run the numbers we need.

Would a conference call be appropriate?

Scott

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:28-FEB-1997 16:15:47.00

SUBJECT: D.C. Pensions: COLA, OVERTIME, JUDGES

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Ellen,

Ed would like to have PBGC run the numbers without reflecting changes to COLAs, excessive use of overtime to inflate the "high three" pay calculation (a concern of Frank's), or different treatment for judges. Doing so provides us with a base case from which to assess the impact of changes (like those associated with removing double COLAs). PBGC and Milliman & Robertson will meet Wednesday to reach mutual agreement on the numbers, and pass on the results to us afterwards.

Scott

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:28-FEB-1997 17:16:40.00

SUBJECT: Re: Informing PBGC on COLAs, Overtime, and Judges

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Ed/Scott: I told them to try to include the judges (although they then asked the obvious question -- what about new hires -- to which I assume the answer is we take them), but not the other items. ellen

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:28-FEB-1997 09:10:01.00

SUBJECT: Re: Comment on pension MOU -- COLAs

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: M. Jill Gibbons (CN=M. Jill Gibbons/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
I'm glad that people are thinking about the double COLAs. I wanted to raise the issue for two reasons: First, because of all the flak DC has gotten because of them. Second, because of concern that in the press of drafting, most judgment calls at this stage might be settled toward higher costs to the federal government, which could undermine the "tough love" philosophy of the plan.
I'm glad, too, that you will be considering what "timely funding" might mean.
But in sec. E.1 (new COLAs at a rate "acceptable to the federal government."): Doesn't this line in the MOU inappropriately limit the District's discretion? Why is it there?

Thanks, Ellen.

Mark

Ellen S. Seidman
02/28/97 08:53:03 AM
Record Type: Record

To: M. Jill Gibbons/OMB/EOP
cc: Mark D. Menchik/OMB/EOP
Subject: Re: Comment on pension MOU -- COLAs

Mark's suggestions on COLAs are good in theory but miss an important point. Frank wants DC to agree to fix this for the OLD plans, and obviously would prefer they not be double for the new plans, BUT THE ENTIRE ISSUE IS BEING LEFT TO THE DC GOVERNMENT AND COLLECTIVE BARGAINING< PARTICULARLY AS TO THE NEW PLANS. The suggested langugage would violate this pledge we've made to them.

I'm also not inclined to change the "in a timely manner" langauge. For one thing, the contribution schedule on a DC plan will be quite different than on a DB plan, and we don't know what they'll come up with, although I'll agree the DB is a better bet. I know for a number of reasons we don't want to bind them to ERISA rules. I wonder whether there's a GASB rule on this similar to the rule on the AMOUNT of funding. I've asked the PBGC to check. I will get something from them when we talk at 10.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:28-FEB-1997 12:09:48.00

SUBJECT: Re: Informing PBGC on COLAs, Overtime, and Judges

TO: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Also, Ed needs to be on the call.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:28-FEB-1997 17:01:57.00

SUBJECT: Re: COLA changes to existing plans

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
I don't think this is the PBGC's area. It's basically DC law and
constitutional law. If you think you're going to need legal help (notice
I sent it to Damus and Rettman too), I think it's going to be a
combination of OMB/OLC and possibly DC lawyers. ellen
PS Chuck Ruff should prove useful here.
PPS I'm not acting without further direction from you

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:28-FEB-1997 12:09:29.00

SUBJECT: Re: Informing PBGC on COLAs, Overtime, and Judges

TO: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Yes, but only if Ed says so. And the three issues might be treated VERY differently. I didn't even know about the exessive overtime. ellen

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:28-FEB-1997 17:17:37.00

SUBJECT: Wednesday Actuarial Meeting on Pensions

TO: Catherine A. Poynton (CN=Catherine A. Poynton/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Marcia D. Occomy (CN=Marcia D. Occomy/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Larry R. Matlack (CN=Larry R. Matlack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Harry G. Meyers (CN=Harry G. Meyers/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Alan B. Rhinesmith (CN=Alan B. Rhinesmith/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Daniel M. Tangherlini (CN=Daniel M. Tangherlini/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Bruce D. Long (CN=Bruce D. Long/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Robert B. Rideout (CN=Robert B. Rideout/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Michael Deich (CN=Michael Deich/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
There will be a meeting between the actuaries of PBGC and Milliman and Roberts, Inc. -- D.C.'s actuary -- to come to closure on the pension numbers as we have developed them to this point on Wednesday, March 5th, at the PBGC, which is located at 1200 K Street, N.W., 2nd Floor, Suite 250 from 10:00am to noon (ring the door bell to get in). One condition: sit in the back and absolutely no talking -- just kidding.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 3-MAR-1997 08:51:42.00

SUBJECT: Re: pension-help: Marty Slate memorial service

TO: Pension-Help-Sender (Pension-Help-Sender @ bolis.com @ INET @ LNGTWY [UNKNOWN])
READ:UNKNOWN

TEXT:
Additional details, and information about charities for memorial
donations, are at the PBGC web site, www.pbgc.gov.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:12-MAR-1997 10:53:30.00

SUBJECT: Re: DC: repealing "double cola" provision

TO: Steven D. Aitken (CN=Steven D. Aitken/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Marcia D. Occomy (CN=Marcia D. Occomy/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Rosalyn J. Rettman (CN=Rosalyn J. Rettman/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Steve,

The President's Plan for D.C. Revitalization calls for the Federal government to assume most, if not all, of the District's unfunded pension liability for D.C. police, firefighters, judges, and teachers. The issue is whether the District has the authority to repeal its provision of double Cost of Living Adjustments to D.C. employees who are currently entitled to them. D.C. says "no," the Federal government must impose such a change on D.C. via statute. We aren't so sure, and, for Home Rule reasons, would likely prefer a condition written into the MOU between the District and the Federal government that D.C. make this change itself.

The economic impact the double COLAs have on driving D.C. pension costs is unclear. While the D.C. actuary is assessing the financial impact, there is a very real perception, including among the Congressional leadership, that the double COLAs are driving pension costs to exhorbitantly high levels, and that the Federal government should be wary of taking on a liability that could grow excessively because of these COLAs.

The District is taking another look into the legal basis for its opinion, and we would hope to have an internal legal opinion as well.

Ellen, Mark, Marcia, and Ed, based on your experience and issues raised at last week's meeting with D.C. principals on D.C. pensions, please feel free to jump in if I have left out any background for Roz and Steve.

Scott

Steven D. Aitken
03/12/97 10:31:31 AM
Record Type: Non-Record

To: Scott Quehl/OMB/EOP
cc:
Subject: Re: DC: repealing "double cola" provision

What is the legal issue that needs looking into?
---------------------- Forwarded by Steven D. Aitken/OMB/EOP on 03/12/97 10:32 AM ---------------------------

Robert G. Damus
03/12/97 09:12:44 AM
Record Type: Record

To: Steven D. Aitken/OMB/EOP
cc:
Subject: Re: DC: repealing "double cola" provision

---------------------- Forwarded by Robert G. Damus/OMB/EOP on 03/12/97 09:17 AM ---------------------------
Please see/call me about this question. Thanks.

Roz

Mark D. Menchik 03/11/97 06:03:06 PM

Record Type: Record

To: Rosalyn J. Rettman/OMB/EOP
cc: Scott Quehl/OMB/EOP, Robert G. Damus/OMB/EOP, Larry R. Matlack/OMB/EOP
bcc:
Subject: Re: DC: repealing "double cola" provision

Roz,

What I've learned:

DC Code sections in the 1981 codification (available on Lexus and Westlaw):

Police & Fire
4-624

Teachers
13-1241
13-1243

Generally (incl. 1979 reform act)
1-701

PBGC's Chuck Finke has been doing the drafting for them; he's familiar with the law and with certain constitutional issues common to the private-pension world. He's at 326-4020, ext 3588. Alternatively, you could talk with Paul Mannina in the DOL Solicitor's office, 219-9141, ext. 144.

Possibly useful as a matter of policy (not law), Paul notes that in the private-pension world COLAs are not "accrued benefits," which are protected by federal law.

Mark

Scott Quehl
03/11/97 02:38:12 PM
Record Type: Record

To: Robert G. Damus/OMB/EOP
cc: Mark D. Menchik/OMB/EOP
Subject: Re: DC: repealing "double cola" provision

Roz,

Thanks for your diligence. Mark Menchik is on the case for finding the citations.

Scott

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:14-MAR-1997 17:18:36.00

SUBJECT: DC MOU: Double COLA Condition

TO: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Rosalyn J. Rettman (CN=Rosalyn J. Rettman/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Toni S. Hustead (CN=Toni S. Hustead/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Steven D. Aitken (CN=Steven D. Aitken/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Marcia D. Occomy (CN=Marcia D. Occomy/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: M. Jill Gibbons (CN=M. Jill Gibbons/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Lawrence J. Haas (CN=Lawrence J. Haas/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: James J. Jukes (CN=James J. Jukes/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
PBGC submits the following condition to the MOU to apply to D.C.'s treatment of double COLAs:

2.5.1. The District will enact legislation that amends the Retirement Program to substitute a reasonable annual cost of living adjustment to replace the Double COLAs and Equivalency provisions now in place.

Please let me know Monday by 10:30am if this language looks acceptable for inclusion in the draft MOU, which will go to the D.C. principals with a cover letter from the Director Monday evening or Tuesday morning.

Scott

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:14-MAR-1997 23:39:25.00

SUBJECT: DC Pension Numbers for FY98

TO: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Daniel M. Tangherlini (CN=Daniel M. Tangherlini/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Toni S. Hustead (CN=Toni S. Hustead/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Alan B. Rhinesmith (CN=Alan B. Rhinesmith/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Harry G. Meyers (CN=Harry G. Meyers/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Attached are estimated District payments, costs, transferred & retained assets, and liabilities for FY1998, fashioned within the parameters agreed to with the District: President's overall plan saves at least $60 million; Federal govt. takes enough assets to not incur its first contribution to beneficiaries until no earlier than 2003; employee contributions stay with District; interest = 7.25%.
The attachment reflects comments by PBGC to the draft circulated on the 12th. Toni Hustead and Marcia will give this a scrub before the methodology is used to plug in figures to the "Estimated District Budget Savings" Table for the President's Plan...figures to serve as placeholders until the D.C. actuary completes the formal analysis.

Scott=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D82]MAIL44341757Z.016 to ASCII,
The following is a HEX DUMP:

================= END ATTACHMENT 1 =================

DISTRICT BUDGET SAVINGS

UNDER THE PRESIDENT'S PENSION PROPOSAL

(Dollars in Millions)[1]

Without the Pension Proposal

	FY98	FY99	FY00	FY01	FY02
Total Contribution to Plans	400.4	425.0	451.4	478.7	505.5
Employee Contribution to Plans	(40.9)	(42.9)	(45.1)	(47.2)	(49.7)
Net Pay-As-You-Go	359.5	382.1	406.3	431.5	455.8
Program Changes (over 25 years)	7.9	7.9	7.9	7.9	7.9
Inflation/Amortization Component	3.7	3.7	3.7	3.7	3.7
District Payments	**371.1**	**393.7**	**418.0**	**443.1**	**467.4**

With the President's Proposal

	FY98	FY99	FY00	FY01	FY02
District Costs from New Plans					
Gross Normal Cost of Plans	55.2	60.1	65.4	70.9	76.7
Employee Contribution of Plans	(35.5)	(37.2)	(39.1)	(41.0)	(43.1)
Net Normal Cost	19.7	22.9	26.3	29.9	33.6
District Costs Remaining from Old Plans					
Amortization of Unfunded Liability	83.6	83.6	83.6	83.6	83.6
District Payments	**103.3**	**106.5**	**109.9**	**113.5**	**117.2**
DISTRICT SAVINGS	**267.8**	**287.2**	**308.1**	**329.6**	**350.2**

---

[1] District Payments without the President's Pension Proposal are derived from p. 144 of the District Budget and Financial Plan and PBGC calculations taken from the D.C. actuary's 10.1.95 study. District Payments with the President's Plan are from PBGC estimates, taken from information provided by the D.C. actuary at the District government's request. Figures will be revised pending analysis of the 10.1.96 valuation.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:18-MAR-1997 16:42:24.00

SUBJECT: Re: Meeting on Thursday

TO: Wendy J. Einhellig (CN=Wendy J. Einhellig/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
scott quell works for ed deseve at omb. Call Mary to get his title. Toni Huston(? last name) also works for Ed, I believe. Dave is Dave Gustafson at PBGC and Jane is Jane Pacelli at PBGC. Can you call them and let them know about the meeting -- when, where , etc., and also get whatever it is carla needs. thanks. ellen

P.S. Jane works for Dave

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Wendy J. Einhellig (CN=Wendy J. Einhellig/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:18-MAR-1997 16:58:51.00

SUBJECT: DC Retirement Board meeting on Pensions

TO: Carla B. Stone (CN=Carla B. Stone/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Accompanying Ellen Seidman (Special Asst to President) will be:
Scott Quehl, OMB, Special Asst to Controller
Toni Hustead, OMB, Chief Veterens Affairs Branch
Charles "Dave" Gustafson, PBGC, Chief Policy Actuary
Jane Pacelli, PBGC, Chief Research Actuary

Call me if I can help otherwise. Wendy X62802.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:19-MAR-1997 16:08:28.00

SUBJECT: PBGC Ponders Change In Assumptions For Valuing Plan Distributions, Seal Says

TO: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
---------------------- Forwarded by Mark D. Menchik/OMB/EOP on 03/19/97
04:08 PM ---------------------------

No. 53 Wednesday March 19, 1997

Main View
DT Cases
Economic News
Highlights

Print
Search

REGULATION, ECONOMICS AND LAW
Pensions
PBGC Ponders Change In Assumptions For Valuing Plan Distributions, Seal Says
The Pension Benefit Guaranty Corporation intends to decide whether or not it will change this year the actuarial assumptions it uses for valuing pension plan benefits and assets, acting PBGC Executive Director John Seal said March 18.
The agency will announce the planned review and seek comments on a possible change in the March 19 Federal Register, Seal told the Enrolled Actuaries 22nd Year Meeting.
"As you know, the National Association of Insurance Commissioners has adopted new mortality tables for determining reserve liabilities for group annuities," he said. "These may provide greater accuracy in valuing annuity benefits than the tables we now use."
Currently, the federal pension plan insurer uses the 1983 Group Annuity Mortality Table (GAM '83). In December 1996, NAIC adopted new mortality tables called the 1994 Group Annuity Reserve Valuation Standard (GAR '94) for determining reserve requirements for group annuities.
PBGC is not mandated to adopt GAR '94, Ellen Hennessy, PBGC deputy executive director and chief negotiator, told BNA after another conference session. When half of the state insurance commissioners adopt GAR '94, it will be considered the standard assumption for lump-sum distributions, Hennessy explained.
The agency will still be free at that time to continue using GAM '83 and to decide whether or not it wants to adopt the new assumption, which was

recommended in 1995 by a task force formed by the Society of Actuaries.

Improving Customer Service

As part of its continuing goal to improve its customer service, Seal said PBGC will conduct a survey this Spring of its responsiveness to the defined benefit pension plan community's needs. Questionnaires will be mailed to a sampling of practitioners, including approximately 800 enrolled actuaries, he added.

PBGC also held a series of focus groups with practitioners throughout 1996, he said, noting that the proposed rules for standard terminations published March 14 evolved from the input received during the group meetings.

"We want to work with you through the entire termination process to make sure we get the information we need to make a determination," Seal said. "We can do that best if you contact us well in advance of filing a distress termination. Delays result in unnecessary expenses and hurt all parties involved, including the participants."

In addition to contacting PBGC before filing a distress termination, Seal urged plans with a reportable event to contact the agency before submitting the required notice. By contacting the agency first, the work involved for both PBGC and the plan can be minimized, he said.

"To make it easier for filers, we developed abbreviated optional forms that may be used for the initial filings," Seal added. The optional forms will soon be available on PBGC's Internet Home Page at http://www.pbgc.gov, according to Seal.

System Improvements

To raise the percentage of U.S. workers covered by the private pension system, the Clinton administration is looking at the various types of pension plans and examining how the tax rules affect them, Seal said, adding that the agencies charged with protecting pension plans welcome suggestions on easing pension plan administration.

"Retirement savings will be a pivotal issue as we close out the century and you, as pension professionals, have a major role to play," he said. "Our goal should be to provide every American worker the opportunity to participate in a pension plan that will provide them with a secure retirement."

He noted that PBGC has seen a large decline in the number of defined benefit pension plans it insures, going from a high of more than 100,000 plans in 1985 to the current 50,000. The drop primarily reflects the large number of terminations in small plans, according to Seal. The number of large plans with 5,000 participants or more, however, has increased from 900 in 1985 to nearly 1,100 in 1997, he added.

A way to raise the current level of less than 50 percent of U.S. workers being covered by a pension plan might be to combine the stability and protection offered by a defined benefit plan with the portability offered by a defined contribution plan, Seal said.

Stronger Financial Footing

Attributing much of the agency's financial turn-around to former Executive Director Martin Slate's leadership, Seal said PBGC expects to have a surplus for the first time in agency history when the year-end results are reported at the end of March.

"Still with changes in interest rates and the economy, we must remain vigilant. We saw the effect that low interest rates had on pension liabilities in 1995," he added. "Although large investment returns helped build pension assets, the low interest rate in years pushed liabilities higher."

PBGC's sounder financial footing was brought about by record investment earnings, having no major pension plan terminations, and enactment of the Retirement Protection Act in 1994, which provided the agency with the tools to address pension plan underfunding, Seal said. For example, PBGC has been able to phase out the cap on the variable rate premium, thus providing plan sponsors more of an incentive to keep their plans better funded, he noted.

In addition to RPA's non-funding reforms, the funding reforms included in the 1994 pension protection law, and just beginning to "kick in," will have the greatest impact on plan underfunding, he said.

"By tightening the funding requirements for underfunded plans, we should see a gradual and continued improvement in funding levels over the next 15 years," Seal added.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:20-MAR-1997 23:11:53.00

SUBJECT: Today's Meeting with the D.C. Retirement Board

TO: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Lawrence J. Haas (CN=Lawrence J. Haas/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: M. Jill Gibbons (CN=M. Jill Gibbons/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Marcia D. Occomy (CN=Marcia D. Occomy/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Toni S. Hustead (CN=Toni S. Hustead/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Carol Thompson-Cole (CN=Carol Thompson-Cole/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Daniel M. Tangherlini (CN=Daniel M. Tangherlini/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: James J. Jukes (CN=James J. Jukes/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Michael Deich (CN=Michael Deich/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Carol, Ellen, Toni, Dave Gustofson of the PBGC, and I met with the D.C. Retirement Board today to discuss the pension proposal.

Environment.

The initial tone seemed more like that of a hearing than a feedback session. An eery, angry hearing. After a 45 minute wait, our group was seated at the end of the world's longest table, stretched across a room filled with the whir of tape recorders and the kind of mechanical hum you find in nuclear submarine flicks or Aliens 1-3, to field questions from smoldering board members.

The environment warmed up as Ellen explained the parameters of the plan, with help from Carol, Toni, and Dave. Members became more at ease as it became clear that a portion of existing assets may be left with the Board, that employee contributions would be fully devoted to funding the new retirement plan, and that the Federal benefit payments would factor in pay increases for beneficiaries after the freeze date.

Diverging Interests amongst our Hosts.

At the risk of oversimplifyng, representatives of some employees groups seemed to care little about the Board, so long as the employees ultimately benefit from the President's plan. The representative of one employee group said so plainly. Another reflected this in a sidebar discussion. Others in the room seemed focused on the interests of the Board as an institution.

In spite of our past openness with the City and Board members in defining the parameters of the pension proposal and the terms of the MOU, the one thing all members seemed to share was fear -- for the employees: fear of the plan's unknowns -- for the Board: its own uncertain future. Today's outreach went a long way to allay these fears, as it gave the employees' groups some of the information they need, and gave the Board interests the prospect that assets will be left on the table to justify the Board's e xistence.

Issues Raised by the Board

Funding. Unless it fully funds the liability its takes over, the Federal government could wipe away its commitment to pay beneficiaries during a financial crisis. Should DC employees and their Fiduciary take enough comfort in the full faith and credit of the United States that they support the President's proposal, even though their pensions, like those of their Federal counterparts, will be underfunded by billions? Ellen said it plainly: this is the bottom-line question that they will have to answer. Our communications efforts should continue to address this question.

Wave of Employee Retirements. Employee representatives claimed that public safety and education would be put at risk as waves of teachers, police (600 of them -- more than a sixth of the force) and firefighters (200) rush to retire before the freeze date because of a perceived reduction in benefits after this date. Better information about the pensions proposal should reduce their concerns, but may not fully stem the outflow. The City and unions could be encouraged to find ways to induce the most valued employees to stay on the job.

New Plans. The Board pointed out that none of the employee groups in question enter into benefit agreements with the City through collective bargaining. The D.C. Council simply approves new plans, within the limits of Federal statute. Is this true? If so, we need to strike references to collective bargaining from the MOU. At least one key Board member asserted that the D.C. Council would have little political choice but to create replacement retirement plans with the same benefits as the old plans . Great, since we assume the same level of benefits before and after the transfer.

Double COLAs/Equalization Provisions. These provisions came up early and often as something beneficiaries fear losing. Perception may not match reality. Analysis will show if getting rid of these provisions will have much actual economic impact.

Dealing with New Hires after 10/1/96. We need to assess if the Federal government will have to treat employees hired after October 1, 1996 differently because of the new retirement system the D.C. Council put in place for FY1997.

Disability Backlog. Because of past abuses, Congress imposed a very low cap, which is still in effect, on the number of employees who can retire on disability. Some employee representatives acknowledged old abuses, and the Federal government's legitimate interest in preventing a return to those practices. At the same time, they claimed that the backlog of truly disabled employees who do not retire because of congressional cap restrictions harms individuals and work force productivity. They want the cap eliminated and a disability system put in place that is agreeable to the employees, City, and the Federal government.

MOU Signing. The D.C. Retirement Board is legally responsible for the pension assets, not the City. Should the Board be a signatory to the MOU? If so, we may never get it signed.

Next Steps.

Expose the pension proposal to as much light as possible. The PBGC is developing examples of how hypothetical teachers, police and firefighters, and judges would be affected by the President's plan within its present benefit structure. The City could work with the PBGC to develop these examples into materials rank-and-file employees can understand.

Federal working group representatives will meet again with the Board and separately with individual employees' unions to encourage their support.

Comments

Ellen, Carol, and Toni, please make any additions or edits you'd like.

Scott

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:21-MAR-1997 17:08:37.00

SUBJECT:

TO: ELLEN S. (Pager) #SEIDMAN (ELLEN S. (Pager) #SEIDMAN [UNKNOWN])
READ:UNKNOWN

TEXT:
need to discuss PBGC report of 3/31. kaplan 6-5360

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:21-MAR-1997 10:09:39.00

SUBJECT: Re: Today's Meeting with the D.C. Retirement Board

TO: Toni S. Hustead (CN=Toni S. Hustead/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Lawrence J. Haas (CN=Lawrence J. Haas/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: M. Jill Gibbons (CN=M. Jill Gibbons/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Marcia D. Occomy (CN=Marcia D. Occomy/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Carol Thompson-Cole (CN=Carol Thompson-Cole/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Larry R. Matlack (CN=Larry R. Matlack/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Daniel M. Tangherlini (CN=Daniel M. Tangherlini/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: James J. Jukes (CN=James J. Jukes/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Michael Deich (CN=Michael Deich/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
Neat e-mail, Scott -- appreciate your taking the time to write it. I
especially liked the Right Brain paragraph that went from an "eery, angry
tone" to "Aliens 1-3."

My suggestions:

Funding. Ask current and would-be pensioners who is more likely to
violate their pension promise -- the DC or the federal gov't. And in

which town do all the national news reporters hang out, interested in a story with implications for social security?

Toni: I am an examiner with painful experience with an account that -- simply put -- is really private but for weird & bad reasons is scored on-budget. Bad all around. I firmly believe that the Trust should be declared (in law) as non-federal, and its activities should not be included in the Budget or in anything else that OMB does. (The federal checks to them would be on-budget, of course.) How else are authority and responsibility properly allocated? Don't we believe in our own law and MOU?

Wave of Employee Retirements. The experience in the private sector is that it is very difficult to predict early retirements, given some change in the situation. The number is both over- and under-estimated. Something to think about, but not to be paralyzed by, of course.

Collective Bargaining. If DC isn't legally required to do collective bargaining, then by all means take it out. The MOU is long enough and, in the nature of things, every additional provision raises the risk of misinterpretation and adverse legal action later.

Double COLAs/Equalization.
Ask these critics how they would explain these two "features" either to Chairman Faircloth or to their neighbors retired from private-sector jobs.
Equalization (thanks, Scott) strikes me as particularly odd. COLAs are designed to protect otherwise-vulnerable people against increases in the cost of living, but what do "equalization increases" protect against? A still-working neighbor with a bigger-screen TV? Perhaps the active employees earned their TVs etc. by being more productive? I think equalization provisions are limited to sub-national governments; maybe they serve to protect worried officials from the charge of favoring "actives" over "retireds" or vice versa.

Disability. A tough issue.
It's late in the day, but if disability proves to be very contentious, how about suggesting periodic "disability reviews." Fact is, some disabled people can get much better. Disability reviews are being greatly expanded for social security Disability Insurance. having been proven fair, non-intrusive, and cost effective for federal employees.
The notion seems odd that the current cap causes a backlog of the truly disabled. Are the falsely disabled getting out before them?

MOU Signing. Argh! If the Retirement Board continues their unhappiness with the MOU (and if all else fails) could the MOU contain a provision that the city transfer this authority of the Board back to the DC government? It can be argued that the current power of the Board seems inconsistent with the idea of home rule by elected officials.

Toni S. Hustead
03/21/97 08:52:52 AM
Record Type: Record

To: Scott Quehl/OMB/EOP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Re: Today's Meeting with the D.C. Retirement Board

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total individual benefit levels (from an employee perspective will my benefit decrease)
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who determines disability retirements
a timetable of what must be done and when

Scott Quehl
03/20/97 11:10:45 PM
Record Type: Record

To: G. E. DeSeve/OMB/EOP
cc: See the distribution list at the bottom of this message
Subject: Today's Meeting with the D.C. Retirement Board

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The initial tone seemed more like that of a hearing than a feedback session. An eery, angry hearing. After a 45 minute wait, our group was seated at the end of the world's longest table, stretched across a room filled with the whir of tape recorders and the kind of mechanical hum you

find in nuclear submarine flicks or Aliens 1-3, to field questions from smoldering board members.
The environment warmed up as Ellen explained the parameters of the plan, with help from Carol, Toni, and Dave. Members became more at ease as it became clear that a portion of existing assets may be left with the Board, that employee contributions would be fully devoted to funding the new retirement plan, and that the Federal benefit payments would factor in pay increases for beneficiaries after the freeze date.

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At the risk of oversimplifyng, representatives of some employees groups seemed to care little about the Board, so long as the employees ultimately benefit from the President's plan. The representative of one employee group said so plainly. Another reflected this in a sidebar discussion. Others in the room seemed focused on the interests of the Board as an institution.

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:21-MAR-1997 10:10:32.00

SUBJECT: Re: Today's Meeting with the D.C. Retirement Board

TO: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Lawrence J. Haas (CN=Lawrence J. Haas/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: M. Jill Gibbons (CN=M. Jill Gibbons/OU=OMB/O=EOP @ EOP [OMB])
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CC: Marcia D. Occomy (CN=Marcia D. Occomy/OU=OMB/O=EOP @ EOP [OMB])
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CC: Mark D. Menchik (CN=Mark D. Menchik/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Carol Thompson-Cole (CN=Carol Thompson-Cole/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:
My first reaction is to note Scott's future as a writer of spy novels.
It was indeed a dark and stormy night. I really appreciate the support
from Carol, Scott, Toni and Dave Gustafson of PBGC.

The memo is accurate, although maybe just a tad more optimistic than I
would be. Education is clearly a VERY big issue. The disability backlog
is too. I must admit I don't quite understand the outflow issue, assuming
we get the education right and the new plan is a total wrap. I think it
may be concern that (i) the new plan WON'T be a total wrap and (ii) the
loss of double COLAs is meaningful. The ecnomic analysis on that will be
very important -- and we may need to rethink whether, if it shows not much

impact,, it's better to try to convince the Congress that getting rid of it is unimportant or the unions that getting rid of it doesn't matter.

Finally, Mozelle brought up an issue with me last night. The Secret Service is overreacting just like the DC folks. Their concern is that the folks who are part of the DC plan -- and who therefore can double dip in a federal pension if they get a non-Secret Service federal job after retirement -- will lose that wonderful opportunity. Mozelle tried to reassure them that we're just transferring responsibility for administering the plan, not merging them into the federal system. However, they, like the DC folks, need someone responsible to talk to. It can be Mozelle,but only if he's truly plugged into what's happening, which is not the case right now.

Ed, can you please talk to him.

Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:21-MAR-1997 21:28:06.00

SUBJECT: text of message in case the attachment doesn't work

TO: kwallman (kwallman @ ix.netcom.com @ inet [OMB])
READ:UNKNOWN

TEXT:
March 21, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

RE: NEC Weekly Report

G.I. Bill/Skill Grants. On Friday, I participated in the second panel at the Council on Competitiveness with Governor Engler regarding the Administration ,s priorities to strengthen the workforce. We agreed that his staff would come to the White House next week for an informal discussion and an exchange of ideas to gain further impetus for the legislation. In the next couple of weeks -- hopefully with Alexis confirmed -- we will need to present you with options on how to proceed legislatively and strategically this year on skill grants.

Financial Services Modernization: Tuesday and Thursday, we held NEC principals , meetings on Treasury ,s financial services modernization proposal. The four main issues are: 1) whether to go ahead with the proposal in light of the other issues; 2) the extent to which bank and commercial industrial firms ought to be able to combine or get into one another ,s business; 3) how holding companies should be regulated; and, 4) what opportunities or risks may be posed for CRA in the course of the legislative process. We are quite close on the substantive questions, but both the politics and substantive considerations are quite complex. Bob Rubin and I met with John Hilley today and decided we should delay its internal announcement and our final recommendation to you -- until we further investigate the Congressional and outside politics. Treasury is delaying its intended announcement of the Administration ,s position (which had been scheduled for March 31), pending further discussions to gauge support. This may mean a delay beyond April 7 in Treasury ,s response in submitting a report by March 31 on the bank/thrift charter issues, as required by last year ,s BIF/SAIF bill.

Preparation for April 3rd Big 3 Automakers: Kathy Wallman, Ellen Seidman, Dorothy Robyn and I, with CEQ and OPL, met with the Washington representatives of the Big 3 automakers to prepare for the upcoming meeting of the CEOs with you, scheduled for April 3. The main issues they care about are the changing dollar/yen ratio -- which they blame on their inability to penetrate the Japanese market as well as loss of market share at home (but which we would not talk about); the PM/Ozone rulemaking, where we explained that while we could not talk about the pending rule-making, the Administration through OIRA would be reaching out to those concerned, including the auto industry (this has since been done); and climate change.

On the latter, we made clear our real interest in working with them on modeling and other analysis to try to generate informed decisions that respond to the climate problem without harm to the economy. They were skeptical but willing to try. We emphasized the need to be working together if the United States government was not to be isolated on certain issues we both care about, such as the responsibilities of developing countries. We are exploring whether there is a safety issue or NEXTEA announcement we could do with them, so that the news focus is not on the dollar or their objections on Global Climate Change. We will know more about this in the coming week.

Officially Announcing Higher Education Legislation. On Thursday, the Vice President held a "higher education roundtable" at Washington & Lee High School in Arlington, VA to announce that your higher education legislation -- the Hope and Opportunity for Postsecondary Education (HOPE) Act of 1997 -- was sent to Congress that day. At the event, the White House also released a state-by-state analysis of benefits to students under the HOPE Act and a list of the more than 250 college presidents who support the President's higher education initiatives. That same day, I opened up a briefing we hosted for higher education groups.

School Construction. There were 41 sponsors for your school construction legislation in the House and 10 sponsors in the Senate.

Utility Re-Structuring (Electricity Deregulation): This week, the NEC continued it interagency process on this issue. The NEC arranged a briefing for White House staff of the major issues and options for legislation to re-structure the $200 billion-a-year electric utility industry. Among the major issues to be resolved will be: 1) whether the Administration should advocate a statutory requirement that all states de-regulate their retail electric markets by a specific date or, alternatively, let the states decide how and when to proceed; 2) what measures should be proposed to ensure that deregulation does not, by encouraging the generation of more low-cost, coal-fired power, dramatically worsen regional and national air quality (and climate-change) objectives; 3) how to preserve public benefits programs -- such as state low-income and weatherization assistance -- currently administered by regulated utilities; and 4) how to encourage energy efficiency and the development of alternative energy sources in a deregulated environment.

Climate Change: Dan Tarullo and Elgie Holstein participated in several interagency meetings on climate change issues. One meeting examined detailed language that the U.S. is planning to submit to the International

Secretariat on Climate Change by April 1. This language simply describes in some detail previously stated U.S. positions on the draft protocol (e.g., an explanation of how compliance with agreed-upon targets would be ensured). This submission should not be viewed as a major step.

A second meeting covered the state of economic modeling of climate change policies that would impose constraints on U.S. greenhouse gas emissions. This work is proceeding slowly, but is crucial for any policy-making in the climate change area. Elgie Holstein coordinated an Assistant Secretary level meeting on the domestic policies that would support an agreed-upon international goal for limiting greenhouse gas emissions. These policies will be developed over the next few weeks. Two options focused on are: a cap on overall greenhouse gas emissions with trading of permits allowed between parties responsible for emissions; and, increased reliance on energy-efficiency enhancing technology.

Securities Litigation. As you may know, 6 Members of Congress sent you a letter urging you to work with Congress on legislation to establish a uniform litigation system for securities claims -- i.e., preempt the states. You said in California last year, against the backdrop of Prop 211, that we should consider preemption. Proponents now argue that even though 211 was defeated, and the possibility that another state may try this is remote, the benefits of last year's federal securities litigation reform are being undercut by plaintiffs' lawyers who are shifting their suits to state courts. The NEC is examining the evidence to see whether there is substance.

Product Liability. We are conducting, with DPC and Counsel's Office, a policy process on product liability legislation. We will be sending a memorandum to you soon that reviews the bidding and outlines the issues to be resolved in the policy process. There is interest from the Hill and from outside groups in knowing what the Administration would need to see in legislation to support a bill, and that is what we will work through in our process, using the concerns you expressed in your veto statement of last year as a point of departure.

Education Technology: Net Day is April 19, which is designed to highlight ways in which the computer industry can make the World Wide Web more accessible for people with disabilities. We are arranging for you to issue a statement on that day. We are also preparing a possible Vice Presidential NetDay event in D.C. schools on April 4th. Another event we are planning would allow you to highlight the ways in which available software allows parents to protect their children from inappropriate materials on the Internet.

EITC: I am meeting with Treasury and OMB to discuss ways to reduce the error rate on earned income tax credit (EITC) claims. The IRS will release a study on misclaimed EITC payments in the near future and that will be the appropriate time to announce a series of steps to further reduce the error rate on these claims. An expedited policy process will be started with possible initiatives developed over the next couple of weeks.

Milk Price Policy: Secretary Glickman reasserted on Thursday his August approval of the controversial Northeast Interstate Dairy Compact, an arrangement among milk producers designed to support milk prices in New England. The USDA response to the District Court tries to address concerns about the rationale for the disputed policy by highlighting the importance of preserving small farms and emphasizing that consideration should be given to the impact on low income milk buyers who are affected by the higher, supported prices. The Secretary reasserted the authority to revoke the Compact if it does not turn out to be in the public interest, a point likely to be litigated.

The Compact, which is a new regional price floor scheme, arguably contradicts Administration and Congressional policy directions toward fewer regional differences, and more integrated national pricing, and pressure is building for a national price floor for milk. Current Administration policy opposes a floor because of its harm to consumers, especially lower-income participants in Federal food and nutrition programs like WIC, School Lunch and Food Stamps. The NEC will participate in this larger aspect of the issue.

DC Economic Development: We are now negotiating the MOU with the city. We had an initial meeting on Friday, March 21, which cleared the air some, but the MOU-- which was originally drafted before the announcement and thus was extremely general -- will need to be made much more specific and track the legislation more closely if we ,re to get the District to sign. There is significant concern about the extent to which the EDC might be usurping, not supplementing, the District ,s economic development processes. It is not, but there is some delicacy on how to draw the line. We are also moving ahead on the Challenge Committee, with the hope that the chairs can be in place next week and the first meeting happen before April 11, so they can report by May 11.

DC Pensions: Ellen Seidman, accompanied by OMB and PBGC staff, met with the DC Retirement Board on Thursday. It was a difficult meeting, as they had many concerns that arose from the original announcement. Although many of these concerns have been answered by subsequent decisions, this was the first time the Retirement Board (and, almost more importantly, representatives of police, firefighter and teachers) had heard about the changes. Much education will be needed. OMB and PBGC are proceeding.

Outreach:

Columbia HCA: We met with Rick Scott of Columbia HCA on health issues, views of the health industry, and possible initiatives we could do together, similar to the effort to immunize one million children.

Welfare Reform: I spoke to the ACORN convention on Monday. They are highly focused on Workfare recipients, specifically, their right to organize and ensuring that the minimum wage laws will apply to all of them. They also wanted to stress that on the Welfare-to-Work challenge to CEOs, the companies should provide health benefits to people moving off welfare. I did encounter some booing over our welfare legislation, but still found an overall openness to the Administration, and particular support for the extension of health care for all children and the welfare fixes. Interestingly, the greatest applause I received from the crowd was reminding them that you had gone to the mat to provide health care for every American.

COLA ,s: I met with Moe Biller, head of the Postal Workers Union this week as well. Overall, he was supportive, but did feel upset because of our COLA delay for federal workers when neither the Blue Dogs nor the Republicans, at this time, have proposed such a measure.

National Association of Manufacturers: I spoke to the National Association of Manufacturers. They were please with recent progress on budget talks and assurances of the Administration ,s commitment to Fast Track. There was concern voiced that economic considerations were being taken into acc ount on environmental issues and utility deregulation. I assured them that we would chair those processes cooperatively with CEQ.

Financial Modernization: I met with some community groups and Senator Sarbanes on Financial Modernization. They are obviously opposed to any bank and commerce change. The community groups are particularly concerned about CRA. Both also met with Bob Rubin this week, as well.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Toni S. Hustead (CN=Toni S. Hustead/OU=OMB/O=EOP [OMB])

CREATION DATE/TIME:21-MAR-1997 08:54:19.00

SUBJECT: Re: Today's Meeting with the D.C. Retirement Board

TO: Scott Quehl (CN=Scott Quehl/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Lawrence J. Haas (CN=Lawrence J. Haas/OU=OMB/O=EOP @ EOP [OMB])
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CC: Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

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CC: G. E. DeSeve (CN=G. E. DeSeve/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

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Lawrence J. Haas/OMB/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:24-MAR-1997 15:03:18.00

SUBJECT: POTUS Pension Event: PBGC Annual Report

TO: Katherine Hubbard (CN=Katherine Hubbard/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
As we discussed.

---------------------- Forwarded by Jonathan A. Kaplan/OPD/EOP on 03/24/97
03:03 PM ---------------------------

Jonathan A. Kaplan
03/24/97 12:52:44 PM
Record Type: Record

To: Michelle Crisci/WHO/EOP
cc: Gene B. Sperling/OPD/EOP, Russell W. Horwitz/OPD/EOP, Kathleen M.
Wallman/WHO/EOP
Subject: POTUS Pension Event: PBGC Annual Report

Rahm:

You asked Friday afternoon for feedback on a possible pension event for March 31.

I have discussed with Ellen Seidman, Olena Berg and others the possibility of the President releasing the PBGC annual report on March 31 at the White House. If this were to be scheduled, the recommendation is for the President to focus on pension security, and to make the following announcements:

Release the PBGC annual report to Congress, which for the first time reports a year-end financial surplus;
Announce that the PWBA has just passed the $20 million mark in 401(k) recoveries, returning more than that amount to pension plans as a result of the 401(k) enforcement program;
Announce a new 1-800 number (about to be inaugurated by PWBA) that provides information on how to protect your pension and how women can gain retirement security; and
Recognize Marty Slate in a tribute.

Pursuant to the "underfunding" issue raised by Sylvia on Friday, Seidman said that while the report does mention that many plans are underfunded, there is only a short narrative on that. The focus of the report, which Seidman has read and which is at the printer, is on improvements in the balance sheet, stronger corporate management, and customer service improvements.

Finally, the consensus opinion is that it is simply too early to announce any new pension legislation or proposals. But we could announce new initiatives within the next four weeks.

Please provide guidance on how to proceed or let me know if you need any additional information. In the interim, I will continue to pull together information from PBGC and PWBA.

Jon Kaplan

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:24-MAR-1997 12:50:26.00

SUBJECT: POTUS Pension Event: PBGC Annual Report

TO: Michelle Crisci (CN=Michelle Crisci/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Kathleen M. Wallman (CN=Kathleen M. Wallman/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

Ellen S. Seidman (CN=Ellen S. Seidman/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TEXT:
Rahm:

You asked Friday afternoon for feedback on a possible pension event for March 31.

I have discussed with Ellen Seidman, Olena Berg and others the possibility of the President releasing the PBGC annual report on March 31 at the White House. If this were to be scheduled, the recommendation is for the President to focus on pension security, and to make the following announcements:

Release the PBGC annual report to Congress, which for the first time reports a year-end financial surplus;
Announce that the PWBA has just passed the $20 million mark in 401(k) recoveries, returning more than that amount to pension plans as a result of the 401(k) enforcement program;
Announce a new 1-800 number (about to be inaugurated by PWBA) that provides information on how to protect your pension and how women can gain retirement security; and
Recognize Marty Slate in a tribute.

Pursuant to the "underfunding" issue raised by Sylvia on Friday, Seidman said that while the report does mention that many plans are underfunded, there is only a short narrative on that. The focus of the report, which Seidman has read and which is at the printer, is on improvements in the balance sheet, stronger corporate management, and customer service improvements.

Finally, the consensus opinion is that it is simply too early to announce any new pension legislation or proposals. But we could announce new initiatives within the next four weeks.

Please provide guidance on how to proceed or let me know if you need any additional information. In the interim, I will continue to pull together information from PBGC and PWBA.

Jon Kaplan

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:27-MAR-1997 09:15:59.00

SUBJECT: Re: News Flash on the Weekly Report

TO: Russell W. Horwitz (CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:
We are working on pension announcement for Monday, at which the President will release the PBGC's Annual Report for 1996 -- which shows a surplus for the first time in the 22-year history of the corporation. The President will also announce that 401(k) recoveries have exceeded $20 million and that the Labor Department has just started a toll-free 1-800 number to provide workers and others with pension information.

We are hoping to finalize an additional piece as well. The President may announce that he will propose audit reform legislation as he did last year, which would repeal the "limited scope audit" exemption for pension plans and give workers more assurance that the financial statements are fully and properly audited.