RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME:18-JUL-2000 09:47:52.00

SUBJECT: Re: pension SAP

TO: Karen N. Blank ( CN=Karen N. Blank/OU=OMB/O=EOP@EOP [ OMB ] )
READ:UNKNOWN

CC: david tseng ( CN=david tseng/OU=opd/O=eop@eop [ opd ] )
READ:UNKNOWN

TEXT:
Note that Gene Sperling, among others, would vigorously oppose the underlying PBGC position on this issue. I can't speak to their proposed two-word compromise; maybe David can.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Karen N. Blank ( CN=Karen N. Blank/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME:18-JUL-2000 10:40:03.00

SUBJECT: revided pension SAP

TO: David Tseng ( CN=David Tseng/OU=OPD/O=EOP@EOP [ OPD ] )
READ:UNKNOWN

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

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

TEXT:
david, the revised draft below incorporates joe minarik's edits per your instruction and as okayed by joe. we still need to talk about the PBGC comments (and the Labor letter on HR 4747 et al). thanks

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

TEXT:
Unable to convert NTNFS302:[ATTACH.D95]ARMS350013R25.001 to ASCII,
The following is a HEX DUMP:

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

Draft revised 7/18 10:30am (get numbers from Treasury)
**DRAFT – NOT FOR RELEASE**

July 17, 2000
(House Rules)

**H.R. 4843 - Comprehensive Retirement Security and Pension Reform Act of 2000**
(Archer (R) Texas and 2 cosponsors)

The Administration strongly opposes H.R. 4843, the Comprehensive Retirement Security and Pension Reform Act, as ordered reported from the House Ways and Means Committee. The Administration is strongly committed to strengthening retirement security for all Americans. Unfortunately, H.R. 4843 is not the right approach. Legislation to expand retirement saving must address the fundamental problem that 75 million Americans are not covered by any employer-sponsored retirement plan. H.R. 4843 ignores this fact. Indeed, it contains provisions that may lead to reduced retirement security for rank-and-file workers.

H.R. 4843 does include a number of provisions that would make a valuable contribution to the improvement of the employer pension system. Indeed, the President's budget incorporates a number of the proposals either intact in slightly different forms. But various other provisions of H.R. 4843 are counter-productive. For example, H.R. 4843 would raise the maximum amount of business owners' and executives' compensation that can be considered under retirement plans and would weaken the pension anti-discrimination and top-heavy protections for moderate- and lower-income workers.

Provisions such as these could lead to cuts in retirement benefits for moderate- and lower-income workers, while benefits for highly paid executives are maintained or even increased. This would be particularly unfortunate in light of the severe disparity in the adequacy of retirement savings for moderate- and lower-income workers as compared to high-income individuals. Currently, two thirds of pension tax expenditures go to families in the top 20 percent of the income distribution, while only 12 percent goes to families in the bottom 60 percent.

In addition, H.R. 4843 would raise the contribution limits for employee-financed savings vehicles such as 401(k) plans and IRAs. These increases could lead to a displacement of traditional employer-financed pensions in favor of such employee-financed vehicles, shifting the burden of initiating retirement saving onto workers. These self-financed vehicles historically have had lower participation rates for lower- and moderate-income workers, for whom saving is hardest and who derive little or no benefit from existing tax incentives. Thus, the limit increases would not significantly increase plan coverage or national savings.

A better approach is to enact pension and retirement savings incentives to reach the tens of millions of working Americans who do not participate in employer-provided pension plans and have little or no other retirement savings. The President's budget proposals would provide enhanced incentives for employers to cover such workers. The Retirement Savings Account approach would provide progressive tax incentives for moderate- and lower-income workers to contribute to employer plans and IRAs. Similarly, the proposed small business tax credit for employer contributions to qualified plans on behalf of non-highly compensated employees would target benefits to those who need them most. This approach builds on the current system to expand access rather than conveying additional benefits to those who already have adequate retirement savings.

The importance of protecting workers' retirement benefits has been demonstrated also in the context of conversions to cash balance pension plans. The Administration believes that legislation imposing meaningful disclosure requirements, such as the Administration's proposal which received strong bipartisan support last year, and a prohibition on cash balance wear-aways - both normal retirement benefits and early retirement benefits - should be enacted, and should be a part of any broad-based retirement savings legislation. H.R. 4843 fails to require adequate disclosure and does not call for any additional protections for workers affected by cash balance conversions.

The Administration also strongly opposes any provisions that would weaken protections for participants by allowing biased investment advice from persons with a conflict of interest or that would otherwise weaken our ability to protect workers' pension and health benefits.

Finally, this approach of passing large tax cuts seriatim, when those tax cuts are not paid for, unwisely abandons fiscal discipline. Pension legislation should be considered in a fiscal framework that guarantees that important national priorities -- such as providing affordable prescription drug coverage and rebuilding our crumbling schools -- are met, and that protects the Federal Government's ability to extend the life of Medicare and Social Security and pay down the debt. In that context, the Administration would like to work with Congress to build on the current system to help all Americans to save for retirement.

Pay-As-You-Go Scoring

H.R. 4843 would affect receipts; therefore, it is subject to the pay-as-you-go requirements of the Omnibus Budget Reconciliation Act of 1990. The Administration has not yet completed its estimates of the costs of the bill; however, based on the estimates of revenue losses made by the Joint Committee on Taxation ($1.1 billion for FY 2001 and $16.1 billion for FYs 2001-2005), the absence of any offsets to H.R. 4843 could cause a sequester of Federal resources.

* * * * * * * *

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Karen N. Blank ( CN=Karen N. Blank/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME:18-JUL-2000 09:40:53.00

SUBJECT: pension SAP

TO: David Tseng ( CN=David Tseng/OU=OPD/O=EOP@EOP [ OPD ] )
READ:UNKNOWN

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

TEXT:
PBGC comments on SAP. please advise.
and fyi, Joe Minarik is okay with your edits to his comments.

when you get chance can we also discuss Labor letter on HR 4747 - 49.
thanks
---------------------- Forwarded by Karen N. Blank/OMB/EOP on 07/18/2000
09:39 AM ---------------------------

Sirkin Stuart <Sirkin.Stuart@PBGC.GOV>
07/18/2000 09:33:53 AM
Record Type: Record

To: Karen N. Blank/OMB/EOP
cc: Schub Judy <Schub.Judy@PBGC.GOV>
Subject: Treasury statement

The PBGC has trouble with the "For example" sentence in the second
paragraph. We think the last examples are fine but have trouble with the
focus on the first part "would raise the maximum amount of business owners'
and executives' compensation that can be considered under the retirement
plan." We have had continual debate with Treasury on this point as it
applies to defined benefit plans in the past during the NEC process. And
it
has always been left open. While we would prefer that part be taken out
altogether, we would suggest the following compromise that at least leaves
ambiguous whether we are talking about defined benefit plans (in addition
to
defined contribution plans): Insert the words "for contributions" after
"can be considered".

I can be reached on 326-4080 x3163 if you need talk about this.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mark.Iwry@do.treas.gov ( Mark.Iwry@do.treas.gov [ UNKNOWN ] )

CREATION DATE/TIME:17-AUG-2000 15:46:48.00

SUBJECT: treasury report to grassley -Reply

TO: Karen N. Blank ( CN=Karen N. Blank/OU=OMB/O=EOP [ OMB ] )
READ:UNKNOWN

TO: Elliott H. Baer ( CN=Elliott H. Baer/OU=OPD/O=EOP [ OPD ] )
READ:UNKNOWN

TO: Mark.Iwry@do.treas.gov ( Mark.Iwry@do.treas.gov [ UNKNOWN ] )
READ:UNKNOWN

CC: Marti.Thomas@do.treas.gov ( Marti.Thomas@do.treas.gov [ UNKNOWN ] )
READ:UNKNOWN

CC: Alan.Keller@do.treas.gov ( Alan.Keller@do.treas.gov [ UNKNOWN ] )
READ:UNKNOWN

CC: Neal.Comstock@do.treas.gov ( Neal.Comstock@do.treas.gov [ UNKNOWN ] )
READ:UNKNOWN

CC: Jon.Talisman@do.treas.gov ( Jon.Talisman@do.treas.gov [ UNKNOWN ] )
READ:UNKNOWN

CC: Frank.Toohey@do.treas.gov ( Frank.Toohey@do.treas.gov [ UNKNOWN ] )
READ:UNKNOWN

CC: Linda.Robertson@do.treas.gov ( Linda.Robertson@do.treas.gov [ UNKNOWN ] )
READ:UNKNOWN

CC: William.Fant@do.treas.gov ( William.Fant@do.treas.gov [ UNKNOWN ] )
READ:UNKNOWN

CC: Priya.Alagiri@do.treas.gov ( Priya.Alagiri@do.treas.gov [ UNKNOWN ] )
READ:UNKNOWN

CC: Theodore.Godbout@do.treas.gov ( Theodore.Godbout@do.treas.gov [ UNKNOWN ] )
READ:UNKNOWN

TEXT:
Date: 08/17/2000 03:33 pm (Thursday)
From: Mark Iwry, Harlan Weller, Bill Bortz (Mark Iwry)
To: ex.mail."Karen_N._Blank@omb.eop.gov", ex.mail."Mark.Iwry",
ex.mail."Elliott_H._Baer@opd.eop.gov"
CC: TALISMANJ, DOM3.DOPO5.THOMASM, DOM3.DOPO5.FANTW,
DOM3.DOPO5.TooheyF, DOM3.DOPO5.COMSTOCKN, DOM3.DOPO5.ALAGIRIP,
DOM3.DOPO5.KELLERJ, GodboutT, DOM3.DOPO5.ROBERTSONL
Subject: treasury report to grassley -Reply

Karen,

Thanks for the attached and your phone message.

We have received further comments -- which we agree with -- suggesting that the legislative history enclosure (which was originally our idea) be held back for a later occasion. This could give us an additional "bite at the apple", a further opportunity to affect the legislation.
This approach promises to work well in the context of the way the Finance Committee staff tend to operate; once we see how the legislation seems to be shaping up, we can offer to share thoughts regarding points to be included in legislative history.

Attached are revised drafts of the Roth and Grassley letters, reflecting various comments, plus the draft statutory language. The most notable revision to the letters is in the third from last paragraph, which eliminates
the language suggesting that the Administration might have additional cash balance legislative proposals. The revised language would take a much lower profile on this, by merely noting the possibility that others might advance or might be considering additional proposals (followed by the prior "strike the balance" language).

The draft statutory language has been tweaked in its regulatory provisions; the revised words in that draft are bolded and italicized.

>>> ex.mail."Karen_N._Blank@omb.eop.gov" 08/17/00 09:51am >>>
Mark,
PBGC has forwarded me its official clearance, and I spoke to Jim Greene
at
Labor who will get back to me later today. If Treasury has made any
changes to the package in response to any concerns that have been
raised
(by PBGC or David Tseng etc), please forward me a copy of the new
draft.
thanks

-------------------- Forwarded by Karen N. Blank/OMB/EOP on 08/17/2000 09:51 AM ---------------------------

(Embedded
image moved Sirkin Stuart <Sirkin.Stuart@PBGC.GOV>
to file: 08/17/2000 09:37:42 AM
PIC19967.PCX)

Record Type: Record

To: Karen N. Blank/OMB/EOP

cc:
Subject: treasury report to grassley

we have discussed a few technical issues with Treasury and are fine
with
how
they decide to resolve them. Thus, we are clearing the package.

- ROTH_L~1.DOC - GRASSL~1.DOC - WEARAW~1.DOC=================== ATTACHMENT 1
===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert NTNFS201:[ATTACH.D67]ARMS22000Y380.001 to ASCII,
The following is a HEX DUMP:
================= END ATTACHMENT 1 =================

=================== ATTACHMENT 2 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert NTNFS201:[ATTACH.D67]ARMS22000Y380.002 to ASCII,
The following is a HEX DUMP:
================= END ATTACHMENT 2 =================

=================== ATTACHMENT 3 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Unable to convert NTNFS201:[ATTACH.D67]ARMS22000Y380.003 to ASCII,
The following is a HEX DUMP:

================= END ATTACHMENT 3 =================

## CLOSE HOLD

**D R A F T 8/17/00 2pm**

Senator William V. Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, DC 20510-6200

Dear Mr. Chairman:

Thank you for your letter of July 28 requesting the Treasury Department's proposed legislative language addressing "wear-aways" of retirement benefits in cash balance pension conversions. You indicated that you were interested in this legislative language for possible inclusion in legislation that you intend to mark up in the Finance Committee.

As you noted, the Office of Management and Budget recently issued a Statement of Administration Policy on H.R. 1102. The Statement called for legislation imposing meaningful disclosure requirements, such as the Administration's proposal introduced as S. 1708 by Senators Moynihan and Jeffords, and a prohibition on cash balance wear-aways applicable to both normal retirement benefits and early retirement benefits.

While substantial improvement to the disclosure workers receive regarding cash balance conversions is essential, we do not believe that it will be enough. Additional legislation is needed to protect workers from the effects of wear-aways that occur in many cash balance conversions.

In a "wear-away," certain participants do not receive an increase in their total benefit under the plan until their benefit under the new, ongoing cash balance formula surpasses the benefit they had earned at the time of the conversion. Thus, while all participants in the plan may appear to be earning benefits, those participants affected by the wear-away do not accrue additional benefits under the plan until the wear-away period is over. In some cases, wear-away periods could extend for a number of years, especially for older workers.

Wear-aways generally affect early, as well as normal, retirement benefits. In many cases, even when there is no wear-away of a participant's normal retirement benefit, or after wear-away of the normal retirement benefit has ended, there is a wear-away of the participant's early retirement benefit.

Many workers, Members of Congress, and others have expressed serious concerns about the adverse impact cash balance conversions can have on workers' retirement benefits. Importantly, we note that the Senate has passed, with bipartisan support, a sense of the Senate resolution offered by Senators Harkin, Jeffords, Kennedy and Rockefeller, recognizing that workers whose plans are changed to cash balance plans should receive additional protection (S. Amendment 3073 to S. Con.. Res. 101). The resolution specifies that, "at a minimum," participants should receive adequate disclosure, and that wear-away of benefits in conversions to cash balance or other hybrid formulas should be prohibited.

The Administration shares the concerns expressed in the Senate's bipartisan resolution and believes that legislation that includes meaningful disclosure requirements and a prohibition on cash balance wear-aways should be enacted to address cash balance conversions. Moreover, the prohibition of wear-aways should apply not only to normal retirement benefits but also to the wear-away of early retirement benefits. The concerns workers have expressed regarding cash balance conversions and the troubling reports of their adverse impacts on workers – particularly older, longer-service employees – are based in large part on cash balance wear-aways affecting early retirement benefits and their disruptive effect on workers' plans to retire early.

Enclosed is a draft of our legislative language relating to wear-aways. Legislative history should indicate that no inference is to be drawn from these provisions with respect to the application of other provisions of law to cash balance plans and conversions.

We understand that other statutory changes may be considered to address cash balance conversions or to clarify the application of the qualified plan rules to cash balance plans. In considering whether to adopt other statutory changes relating to cash balance plans, a careful balance must be struck in order to protect the interests of participants while simultaneously preserving a favorable environment for our voluntary pension system.

The Administration looks forward to working with you and the Members of your Committee to provide American workers with meaningful protections when their traditional pension plan is converted to a cash balance plan, and to enact legislation, like that proposed in the President's FY2001 budget, that would result in increased retirement savings for moderate- and lower-income workers.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

Lawrence H. Summers

Enclosure
G:\BTC\cash balance\legislation\roth ltr aug 16.doc

**<u>CLOSE HOLD</u>**
**D R A F T 8/17/00 2pm**

Senator Charles E. Grassley
Chairman
Special Committee on Aging
United States Senate
Washington, DC 20510-6200

Dear Mr. Chairman:

Thank you for your letter of June 25 requesting the Treasury Department's legislative proposals relating to cash balance pension conversions.

Last month, the Office of Management and Budget issued a Statement of Administration Policy on H.R. 1102. In the context of cash balance plan conversions, the Statement called for legislation imposing meaningful disclosure requirements, such as the Administration's proposal introduced as S. 1708 by Senators Moynihan and Jeffords, and a prohibition on cash balance wear-aways applicable to both normal retirement benefits and early retirement benefits.

While substantial improvement to the disclosure workers receive regarding cash balance conversions is essential, we do not believe that it will be enough. Additional legislation is needed to protect workers from the effects of wear-aways that occur in many cash balance conversions.

In a "wear-away,"certain participants do not receive an increase in their total benefit under the plan until their benefit under the new, ongoing cash balance formula surpasses the benefit they had earned at the time of the conversion. Thus, while all participants in the plan may appear to be earning benefits, those participants affected by the wear-away do not accrue additional benefits under the plan until the wear-away period is over. In some cases, wear-away periods extend for a number of years, especially for older workers.

Wear-aways generally affect early, as well as normal, retirement benefits. In many cases, even when there is no wear-away of a participant's normal retirement benefit, or after wear-away of the normal retirement benefit has ended, there is a wear-away of the participant's early retirement benefit.

Many workers, Members of Congress, and others have expressed serious concerns about the adverse impact cash balance conversions can have on workers' retirement benefits. Importantly, we note that the Senate has passed, with bipartisan support, a sense of the Senate resolution offered by Senators Harkin, Jeffords, Kennedy and Rockefeller, recognizing that workers whose plans are changed to cash balance plans should receive additional protection (S. Amendment 3073 to S. Con.. Res. 101). The resolution specifies that, "at a minimum," participants should receive adequate disclosure, and that wear-away of benefits in conversions to cash balance or other hybrid formulas should be prohibited.

The Administration shares the concerns expressed in the Senate's bipartisan resolution and believes that legislation that includes meaningful disclosure requirements and a prohibition on cash balance wear-aways should be enacted to address cash balance conversions. Moreover, the prohibition of wear-aways should apply not only to normal retirement benefits but also to the wear-away of early retirement benefits. The concerns workers have expressed regarding cash balance conversions and the troubling reports of their adverse impacts on workers – particularly older, longer-service employees – are based in large part on cash balance wear-aways affecting early retirement benefits and their disruptive effect on workers' plans to retire early.

Enclosed is a draft of our legislative language relating to wear-aways. Legislative history should indicate that no inference is to be drawn from these provisions with respect to the application of other provisions of law to cash balance plans and conversions.

We understand that other statutory changes may be considered to address cash balance conversions or to clarify the application of the qualified plan rules to cash balance plans. In considering whether to adopt other statutory changes relating to cash balance plans, a careful balance must be struck in order to protect the interests of participants while simultaneously preserving a favorable environment for our voluntary pension system.

The Administration looks forward to working with you and other Members of Congress to provide American workers with meaningful protections when their traditional pension plan is converted to a cash balance plan, and to enact legislation, like that proposed in the President's FY2001 budget, that would result in increased retirement savings for moderate- and lower-income workers.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

Lawrence H. Summers

Enclosure
\\DS13\DEPT\DEPT\X\BTC\cash balance\legislation\grassley ltr aug 16.doc

**<u>CLOSE HOLD</u>**
**DRAFT 8/17/00 2 pm**

<u>Prevention of Wear-away of Employee's Accrued Benefit.</u>

(a) Amendment to Internal Revenue Code.—Section 411(d)(6) of the Internal Revenue Code of 1986 (relating to accrued benefit may not be decreased by amendment) is amended by adding at the end the following new subparagraph:

"(D) Treatment of plan amendments wearing away accrued benefit.—

"(i) In general.—For purposes of subparagraph (A), a conversion amendment shall be treated as reducing accrued benefits of a participant if, under the terms of the plan after the adoption of the amendment, the accrued benefit of the participant may at any time be less than the sum of—

"(I) the participant's accrued benefit for service before the effective date of the amendment, determined under the terms of the plan as in effect immediately before the effective date, plus

"(II) the participant's accrued benefit determined under the formula applicable to determine benefit accruals in the current plan year, under the terms of the plan as in effect after the effective date, as applied to service after the effective date.

"(ii) Conversion amendment.—For purposes of this subparagraph, a conversion amendment means an amendment to a defined benefit plan that causes the plan to become a hybrid defined benefit plan. For purposes of this subparagraph, a hybrid defined benefit plan is a cash balance pension plan or other defined benefit plan under which a participant's accrued benefit is to be determined as an amount other than an annual benefit commencing at the later of age 62 or normal retirement age.

"(iii) Accrued benefit.—For purposes of this subparagraph, an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of subparagraph (B)(i)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before the effective date of the amendment.

"(iv) Regulations.-- The Secretary may prescribe such regulations as may be necessary to carry out the purposes of this subparagraph, including regulations that provide for similar protection to apply to a hybrid defined benefit plan ***in circumstances that do not involve a conversion amendment***."

(b) Amendment of ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 is amended by adding at the end the following new paragraph:

"(4)(A) For purposes of paragraph (1), a conversion amendment shall be treated as reducing accrued benefits of a participant if, under the terms of the plan after the adoption of the amendment, the accrued benefit of the participant may at any time be less than the sum of—

"(I) the participant's accrued benefit for service before the effective date of the amendment, determined under the terms of the plan as in effect immediately before the effective date, plus

"(II) the participant's accrued benefit determined under the formula applicable to determine benefit accruals in the current plan year, under the terms of the plan as in effect after the effective date, as applied to service after the effective date.

"(B) For purposes of this paragraph, a conversion amendment means an amendment to a defined benefit plan that causes the plan to become a hybrid defined benefit plan. For this purpose, a hybrid defined benefit plan is a cash balance pension plan or other defined benefit plan under which a participant's accrued benefit is to be determined as an amount other than an annual benefit commencing at the later of age 62 or normal retirement age.

"(C) For purposes of this paragraph, an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of paragraph (2)(A)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before the effective date of the amendment.

"(D) The Secretary of the Treasury may prescribe such regulations as may be necessary to carry out the purposes of this paragraph, including regulations that provide for similar protection to apply to a hybrid defined benefit plan ***in circumstances that do not involve a conversion amendment***."

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Marshall J. Rodgers ( CN=Marshall J. Rodgers/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME:16-OCT-2000 17:35:33.00

SUBJECT: Re: PBGC Multiemployer Pensions

TO: David Tseng ( CN=David Tseng/OU=OPD/O=EOP@EOP [ OPD ] )
READ:UNKNOWN

TEXT:
Yes, each agency is doing a separate letter. I am trying to coordinate with them. They will not use the "...and we urge its inclusion in any session ending omnibus bill" sentence that was highlighted on my last email.

David Tseng
10/16/2000 05:25:30 PM
Record Type: Record

To: Marshall J. Rodgers/OMB/EOP@EOP
cc:
Subject: Re: PBGC Multiemployer Pensions

why are we doing separate letters?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: David Tseng ( CN=David Tseng/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:16-OCT-2000 17:25:36.00

SUBJECT: Re: PBGC Multiemployer Pensions

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

TEXT:
why are we doing separate letters?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: David Tseng ( CN=David Tseng/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:16-OCT-2000 17:42:55.00

SUBJECT: Re: PBGC Multiemployer Pensions

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

TEXT:
why is each agency doing a separate letter? i'm concerned about this
looking a bit awkward.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Marshall J. Rodgers ( CN=Marshall J. Rodgers/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME:16-OCT-2000 13:59:26.00

SUBJECT: Re: PBGC Multiemployer Pensions

TO: David Tseng ( CN=David Tseng/OU=OPD/O=EOP@EOP [ OPD ] )
READ:UNKNOWN

TEXT:
David,
Attached is a draft Treasury letter responding to Rep. LaFalce's letter on PBGC COLA's, urging the Administration to work hard to ensure its inclusion in any session-ending omnibus bill. PBGC and Commerce plan on sending letters identical to the attached Treas. letter (but I have not received their letters for clearance). Do you concur with this language?

FYI: This is a copy of Labor's incoming request from LaFalce. Treasury's incoming is identical (I don't have it electronically). The draft letter for clearance is attached to the bottom of this email. Let me know what you think. Call me if you have any questions. x57813.
-Thanks.

---------------------- Forwarded by Marshall J. Rodgers/OMB/EOP on 10/16/2000 01:47 PM ---------------------------

Mark D. Menchik 10/16/2000 01:23:09 PM

Record Type: Record

To: Marshall J. Rodgers/OMB/EOP@EOP
cc: debra j. bond/omb/eop@eop
bcc:
Subject: Re: PBGC Multiemployer Pensions

The first change is OK. I'm easy on the second, but please check with David Tseng and Treasury, since this is a matter of end-of-session priorities. (Note that the language referred to amends ERISA, not the tax code. It's not clear whether or not any pension bill will also amend ERISA now.) If clearing the second change threatens to hold up the letter, drop it.

It's a shame that the Administration can't send a single letter but if that's impractical, so be it.

Marshall J. Rodgers

10/16/2000 12:12:16 PM
Record Type: Record

To: Mark D. Menchik/OMB/EOP@EOP, Debra J. Bond/OMB/EOP@EOP
cc:
Subject:

PBGC is working with Treasury on this (to answer Mark's question). They are still internally clearing their version of this letter (which should be identical). PBGC proposes the following changes to the Treas. letter. Do we concur? PBGC letter will include these changes.

The Honorable John J. LaFalce
U.S. House of Representatives
Washington, D.C. 20515

Dear John:

Thank you for your October 5 letter regarding a cost-of-living increase in the benefit guaranteed by the Pension Benefit Guaranty Corporation for multiemployer plans. As you noted in your letter, the Administration proposed in its FY2001 budget an increase in the maximum guarantee level on pension benefits paid to retirees in multiemployer pension plans. We specifically proposed increasing the maximum guaranteed benefit from $5,580 to $12,870 per year for retirees with 30 years of service. We continue to support enactment of this increase and we urge its inclusion in any session ending omnibus bill.

Sincerely,

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

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D80]ARMS220007YHW.001 to ASCII,
The following is a HEX DUMP:

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

JOHN J. LaFALCE

www.house.gov/lafalce

# Congress of the United States

## House of Representatives

## Washington, DC 20515-3229

RECEIVED 2000 OCT -5 P 3:04

DEL-2583 (CFA) 6/3D 29/001

October 5, 2000

The Honorable Alexis M. Herman
Secretary, U.S. Department Of Labor
200 Constitution Avenue, NW
Washington, D.C. 20210

**Re: COLA for PBGC multiemployer plan benefit guarantee**

Dear Madam Secretary:

During the end-of-session appropriations, budget, and tax negotiations, Senators Roth and Moynihan of the Finance Committee and Jeffords and Kennedy of the Health, Education, Labor, and Pensions Committee will seek to raise the benefit guaranteed by the PBGC for multiemployer plans to reflect the cost-of-living increase of the past 20 years. As you may know, this provision has been proposed and strongly supported by the Administration and was included in its FY2001 budget.

Passage of this proposal is essential for me. It would directly benefit many of my constituents specifically, the Buffalo Carpenters Local No. 9 pension fund which is facing a financial emergency. Insolvency is projected for them as early as 2003. Insolvency of this pension fund would have a devastating impact on the individuals, families, and companies affiliated with the plan. For several weeks, I have been working with my Western New York colleagues in the House, local union representatives, employers throughout Western New York, and the Pension Benefit Guaranty Corporation (PBGC) to develop a program to prevent this outcome from occurring.

One integral component of any workable solution is an increase in the guarantee now being championed by Sens. Roth, Moynihan, Jeffords, and Kennedy. This much needed cost-of-living raise is critical for the plan's current retirees and long-serving workers. It is supported by many other Members of the House and Senate because it would affect other similarly situated multiemployer plans across the nation. I urge the Administration to work hard to ensure its inclusion in any session-ending omnibus bill.

Thank you for your help on this.

Sincerely,

John

JOHN J. LaFALCE
Member of Congress

→ Frank Today

TOTAL P.01

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:17-OCT-2000 15:01:34.00

SUBJECT: Re: DOL Letter to Rep. LaFalce

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

CC: debra j. bond ( CN=debra j. bond/OU=omb/O=eop@eop [ OMB ] )
READ:UNKNOWN

CC: david tseng ( CN=david tseng/OU=opd/O=eop@eop [ OPD ] )
READ:UNKNOWN

CC: marshall j. rodgers ( CN=marshall j. rodgers/OU=omb/O=eop@eop [ OMB ] )
READ:UNKNOWN

TEXT:
OK.

From: Ingrid M. Schroeder on 10/17/2000 02:43:03 PM
Record Type: Record

To: Debra J. Bond/OMB/EOP@EOP, Mark D. Menchik/OMB/EOP@EOP, David Tseng/OPD/EOP@EOP
cc: kclark@doc.gov @ inet, karen.dorsey@do.treas.gov @ inet, Marshall J. Rodgers/OMB/EOP@EOP
Subject: DOL Letter to Rep. LaFalce

Attached is the DOL letter to LaFalce on the PBGC cost-of-living increase. Please provide any comments or edits.

- PBGC-LaFalce2.wpd

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

TEXT:
Unable to convert NARMS201:[ATTACH.D48]ARMS220008T2N.001 to ASCII,
The following is a HEX DUMP:

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

The Honorable John J. LaFalce
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative LaFalce:

Thank you for your October 5 letter regarding a cost-of-living increase in the benefit guaranteed by the Pension Benefit Guaranty Corporation for multiemployer defined benefit plans. Multiemployer plans provide valuable retirement income to low and moderate wage workers. The Administration is strongly committed to strengthening retirement security for all Americans.

The President's FY2001 budget incorporates a number of proposals to improve the pension system, including expanding the number of workers covered under employer-provided pension plans and increasing the security of retirement benefits. As noted in your letter, the FY2001 budget proposes to increase the maximum guarantee level on pension benefits paid to retirees in multiemployer pension plans. More specifically, the budget includes an increase in the maximum guaranteed benefit from $5,580 to $12,870 per year for retirees with 30 years of service.

Thank you for your support for increasing the maximum guarantee level on pension benefits paid to retirees in multiemployer pension plans. The Office of Management and Budget has indicated that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

Alexis M. Herman

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Charles H. Cole ( CN=Charles H. Cole/OU=WHO/O=EOP [ WHO ] )

CREATION DATE/TIME: 2-NOV-2000 15:48:19.00

SUBJECT: Advisory Committee Role

TO: Teresa Ghilarducci ( Teresa Ghilarducci [ UNKNOWN ] )
READ:UNKNOWN

TEXT:
As I was looking up your email address on the Internet, I saw a large number of listings for your articles, testimony, etc. The reports on a couple of your appearances before Congressional Committees were quite interesting: 1) ERISA at 25; and 2) The Future of Social Security ---- Experiences of Other Countries (this one especially because I dealt with the retirement plans of a number of Mobil's international affiliates.

Observing your expertise first hand prompts me to inquire about the role of the PBGC Advisory Committee. From what I have observed at the two meetings, and at my initial orientation, it would appear the strong focus of the committee's activities surrounds the investment portfolio results. While no doubt important, it does strike me that a number of the committee members have broad expertise in other aspects of retirement plans. Has there even been an effort to involve the committee more broadly, perhaps in 1) further developing a strategy for targeted growth in defined benefit plans, 2) brainstorming ways to address the issues related to the movement away from classic retirement plans to the 401Ks, and from final pay to cash balance plans, etc.?

It seems to me that it might be useful If matters of this nature could be incorporated into the committee's (or a subcommittee's) mandate. Am I simply tilting at windmills?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Andrew Stephens <ASTEPHENS@ustr.gov> ( Andrew Stephens <ASTEPHENS@ustr.gov> [ UNKNOWN ] )

CREATION DATE/TIME: 2-NOV-2000 09:16:16.00

SUBJECT: Re: Legacy cost articles

TO: William Corbett ( CN=William Corbett/OU=OPD/O=EOP [ OPD ] )
READ:UNKNOWN

TO: R@ustr.gov ( R@ustr.gov [ ONDCP ] )
READ:UNKNOWN

TEXT:
Bill, I found my research on pension, cost of capital, comparative labor costs, and environmental costs. It is something like 100 pages.

Perhaps the most informative is the Japanese-funded report "Paying the Price for Big Steel" chapter reviewing the history of steel companies in bankruptcy during the 1980s which shifted their pension liabilities to the PBGC and the subsequent legal and legislative battles over that.

It might be useful to ask CEA to look at steel company balance sheets and prepare cost of capital and legacy cost analyses.

Let me know your room number and I will ask Angie or Iris to bring these papers over to you.

- Andrew
59665

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Larry R. Matlack ( CN=Larry R. Matlack/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 8-JAN-2001 16:22:36.00

SUBJECT: Senior Staff Questions

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

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

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

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

CC: Adrienne C. Erbach ( CN=Adrienne C. Erbach/OU=OMB/O=EOP@EOP [ OMB ] )
READ:UNKNOWN

CC: Jennifer E. McGee ( CN=Jennifer E. McGee/OU=OPD/O=EOP@EOP [ OPD ] )
READ:UNKNOWN

division2 ( division2 [ UNKNOWN ] )
READ:UNKNOWN

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

TEXT:
SSA disability redesign regulation. It should be done by Friday. Everything is finished except the cost analysis which still is at the agency. That analysis is expected tomorrow. I have told the staff that they should make it clear to the agency that the rule should be finished and cleared before the end of the week. Please let us know if you want the timing speeded up.

School modernization. No joy here. I forgot that we had discussed this with Education late last month and at that time ED told us the most they thought they would be able to do was to select the program director (which they did last week) and staff by 1/20, which is what I recalled. There was no expectation that they would be able to get out program guidance.

Unlike existing programs, like teacher training, where there are existing regulations that can be easily modified to change emphasis from one year to another, school renovation is a new program requiring notice and comment. You may recall that the program design kept changing up until the rejected October 30th "agreement". While it might have been possible to gamble on the outcome and draft rules in November on the bet that a program would be passed and the final form remain unchanged from October, we did not give Education that guidance. The continual shifting of the design in October gave us pause. However, even if we had done that, it is unlikley that ED would have been able to get the regs out and commented on and refined for final by mid-January.

TWA and PBGC. TWA still is not commenting on the American buyout rumor. But unless there is some unusual feature to the takeover, it will have no effect. The terms of the 1993 agreement with TWA and Carl Ichan are that the current owner (Ichan) is responsible for TWA's pension plans rather than TWA itself. That agreement actually freed TWA to be purchased. PBGC already has taken over the TWA plans from Ichan.