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

CREATOR: Bruce N. Reed (REED_B) (WHO)

CREATION DATE/TIME:15-MAR-1996 12:58:40.54

SUBJECT: Pensions

TO: Paul J. Weinstein, Jr (WEINSTEIN_P) (OPD)
READ:15-MAR-1996 12:59:09.43

TEXT:
We got a big boost at the NEC message mtg today. Everybody agreed we should repackage all our little pension deals into an omnibus Clinton Pension Protection Package, and have a big announcement over the April recess.
That means our Monday mtg is suddenly a big deal. We need to expand the guest list to include (if it doesn't already) Ken Apfel, Larry Summers/Josh Gotbaum, Ann Lewis (DOL), Mark Mazur, and the Communications and Leg Affairs depts. Give me a call. I think Cathy is out this afternoon, so we may have to contact these folks ourselves.

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

CREATOR: Ann M. Cattalini (CATTALINI_A) (WHO)

CREATION DATE/TIME: 8-APR-1996 15:35:49.83

SUBJECT: List for Review

TO: Stacey L. Rubin (RUBIN_S) (WHO)
READ: 8-APR-1996 15:51:32.97

TO: Elisa M. Millsap (MILLSAP_E) (WHO)
READ: 8-APR-1996 15:36:27.20

TEXT:
On Thursday, the POTUS is having a pension protection event in the Rose Garden.
Can you run this list by SB. If possible, we would iike to invite this afternoon.
Thanks

EVENT: Pension Protection Announcement
DATE: Thursday, April 11
TIME: 11:00 am
LOCATION: Rose Garden
** Please note, Members of Congress should enter the NW Gate at 10:45 am and park on the NW Drive.
PARTICIPANTS:
The President
MEMBERS:
Sen. Daschle
Sen. Moynihan
Sen. Bradley
Sen. Pryor
Sen. Graham
Sen. Kennedy
Sen. Dodd
Sen. Harkin
Sen. Simon
Sen. Kassebaum --- invite Tues
Sen. Jeffords --- invite Tues
Sen. Bingaman
Sen. Exon
Sen. J. Kerry
Sen. Dorgan
Sen. Boxer
Sen. Leahy
Sen. Rockefeller
Rep. Gephardt
Rep. Bonior
Rep. Gibbons
Rep. Rangel
Rep. Matsui

Rep. Kennelly
Rep. Levin
Rep. Cardin
Rep. Kleczka
Rep. Neal
Rep. Clay
Rep. Miller
Rep. Kildee
Rep. Williams
Rep. Martinez
Rep. Green
Rep. Mink
Rep. Fawell -- invite Tues
Rep. Roukema -- invite Tues
Rep. Durbin
Rep. Pomoroy
Rep. DeLauro
Rep. Bentsen
Rep. J. Kennedy
Rep. T. Barrett
Rep. Montgomery
Rep. T. Johnson
Rep. Reed

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

CREATOR: Pauline M. Abernathy (ABERNATHY_P) (OPD)

CREATION DATE/TIME:15-APR-1996 17:34:36.89

SUBJECT: pension bullets

TO: Daniel P. Collins (COLLINS_D) (WHO)
READ:16-APR-1996 12:34:05.17

TEXT:

Creating Economic Security
- Protected the pensions of 40 million workers and retirees, reducing pension underfunding for the first time in a decade. (Retirement Protection Act)

call Lael Brainard for new trade agreement stat
The Challenges Ahead:
suggest rewriting third bullet along the lines of:
Enpower Americans to save for their retirement by increasing pension portability, enhancing pension protection, and expanding pension coverage, making it much easier for small businesses and farmers to offer a pension plan to their workers. (Retirement Savings and Security Act)

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

CREATOR: Mary Dixon (DIXON_M) (WHO)

CREATION DATE/TIME:17-APR-1996 14:31:24.46

SUBJECT: partial list

TO: Holly Carver (CARVER_H) (WHO)
READ:17-APR-1996 14:39:21.72

TO: Brenda Anders (ANDERS_B) (WHO)
READ:17-APR-1996 15:04:41.18

TEXT:

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE:17-APR-1996 14:19:00.00

ATT BODYPART TYPE:B

ATT CREATOR: Deborah L. Fine

ATT SUBJECT: here it is...

ATT TO: Ashley Oliver (OLIVER_A)

ATT TO: Mary Dixon (DIXON_M)

TEXT:
Attached is wh update with revisions from the other ladies.
Look it over to make sure still okay.
Otherwise, it's ready to go.
Thanks. Debbie.
================= END ATTACHMENT 1 =================

=================== ATTACHMENT 2 ===================
ATT CREATION TIME/DATE:17-APR-1996 14:19:00.00

ATT BODYPART TYPE:p

ATT CREATOR: Deborah L. Fine

TEXT:
PRINTER FONT 12_POINT_ROMAN
WHITE HOUSE UPDATE FOR WOMEN
April 17, 1996
COMMITMENT TO WORKING WOMEN
Women must work fourteen weeks longer than men to achieve the same earnings. In recognition of the fact that women continue to suffer from unfair pay practices, President Clinton proclaimed April 11, National Pay Inequity Awareness Day. On average, women must work until April 11, 1996 for their earnings to equal what men earned in

1995 alone.
The President called on employers to review their wage

-setting
practices to ensure that all of their employees-

-particularly women
and people of color-

-are paid fairly for their work. He stated that;
"Ensuring fair pay is an essential part of helping women and their families become and remain self

-sufficient."
? American women face a 28% wage gap with men. When comparing weekly earnings, last year women earned only 75 cents for every dollar a man earned; African American and Hispanic women earned 66 cents and 57 cents respectively.
? In 1995, women lawyers earned 18% less than male attorneys, and female professors made about 30% less than their male professors.
The President has fought for economic security for American women by:
? Protecting the Expanded Earned Income Tax Credit's dramatic expansion to help ensure that parents who work full

-time do not
have to raise their children in poverty. Nearly half of all EITC recipients with children are female heads of households.
? Proposing an increase in the minimum wage. Nearly 60% of all minimum wage workers are women.
? Challenging Congress to pass the Kassebaum

-Kennedy Health
Insurance Reforms, to enable American workers to keep insurance coverage when they change jobs or lose a job, and to stop insurance companies from denying coverage for pre

-existing
conditions.
? Proposing the Retirement and Security Savings Act to enable Americans to save for their retirement by expanding pension coverage, portability, and security.
COMMITMENT TO WOMEN'S HEALTH
On April 10, President Clinton vetoed legislation passed by the Republican Congress that would prohibit doctors from performing a rarely used abortion procedure because the bill failed to contain an exception allowing women to use this procedure when necessary to protect their health from serious injury. In a public announcement, the President stated that he had vetoed the bill because it failed to protect women from serious health threats, as the Constitution and sound public policy require.
The President vetoed the bill in the presence of five families who had

made the difficult decision to terminate wanted pregnancies using the procedure banned in H.R.1833. He listened while each of the families told their personal stories to the press, saying afterwards that: "We need more parents in America like these folks... And just because they happen to be in a tiny minority to bear a unique burden... we can't forget our obligation to protect their lives, their children, and their families' future. That is what this veto is all about."

In a letter to Cardinal Bernardin on April 10, the President said: "In the past months, I have learned of several cases of women who desperately wanted to have their babies, who were devastated to learn that their babies had fatal conditions and would not live, who wanted anything other than an abortion, but who were advised by their doctors that this procedure was their best chance to avert he risk of death or grave harm which, in some cases, would have included an inability to ever bear children again. For these women, this was not about choice. This was not about having a headache or fitting into a prom dress, as some have regrettably suggested. This was not about choosing against having a child. These babies were certain to perish before, during or shortly after birth. The only question was how much grave damage was going to be done to the woman."

The President does not support use of this procedure on an elective basis, when there are equally safe medical procedures available. He would support legislation that included an exception for cases where selection of the procedure is necessary to avoid serious health consequences. He has always believed that the decision to have an abortion should be between a woman, her doctor, her conscience and her God, and he has worked to make the abortions protected by Roe v. Wade safe and rare.

COMMITMENT TO RETIREMENT SAVINGS AND SECURITY

Millions of Americans do not have adequate retirement savings. At a Rose Garden event on April 11, President Clinton announced his Retirement Savings and Security Act proposal, which underscores the importance of meeting America's challenge to help working families benefit from and cope with economic change. By increasing access to training, pensions and health care, the proposal helps them make the transition between jobs. The President's Retirement Savings and Security Act would empower more Americans, including those who are employed in small businesses, to save for their retirement by:

? Expanding pensions to help the 51 million working Americans-

-nearly half of private

-sector workers-

-not currently
covered by an employer

-provided plan save for their retirement.

? Increasing portability by removing the obstacle course facing many workers when they change or lose their job and want to bring their retirement savings with them and keep saving.

? Enhancing protections so hard

-working Americans do not have to
worry whether their retirement savings will be there when they

need them.

The Retirement Savings and Security Act proposes a 5

-Part plan to meet
these challenges:
? Expands pension coverage with a new small business 401(k) plan;
? Expands IRAs to double income eligibility from $50,000 to
$100,000 for married couples and from $35,000 to $70,000 for
single taxpayers, and to allow penalty

-free withdrawals for
education and training, first

-home purchases, and major medical
expenses;
? Changes current law so it no longer encourages private employers
to impose a 1

-year waiting requirement before new employees enter
their pension plan;
? Eliminates the waiting period for new federal employees to make
pre

-tax contributions to the Thrift Savings Plan.
? Enhances pension protection and security for workers through
tighter enforcement; and
? Prevents pension raiding by companies.
(For a more detailed document on the Retirement Savings and Security
Act, please call the Women's Office.)
================= END ATTACHMENT 2 =================

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

CREATOR: Daniel P. Collins (COLLINS_D) (WHO)

CREATION DATE/TIME: 4-JUN-1996 17:57:55.46

SUBJECT: SENIORS ISSUE BRIEF

TO: Molly Brostrom (BROSTROM_M) (WHO)
READ: 4-JUN-1996 18:18:55.13

TEXT:

I left you a voice mail message about this, but just in case.....
We reformatted the Seniors issue brief to look like our other briefs (i.e. Veterans) and the new version came back to me with edits that I need your help with. I sent a copy of the edits in question up to you and I am e-mailing the brief to you so you can make the edits.
Please call if you have questions.
Dan, x-65691.
=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 4-JUN-1996 17:52:00.00

ATT BODYPART TYPE:p

ATT CREATOR: Daniel P. Collins

TEXT:
PRINTER FONT 12_POINT_ROMAN
SENIORS

PRINTER FONT 12_POINT_ROMAN_ITALIC
"I think we're obligated to balance this budget to take the debt off our children and our grandchildren, but we're obligated to do it in a way that represents -- that reflects our responsibility to our parents and our grandparents..."
PRINTER FONT 12_POINT_ROMAN

President Bill Clinton
September 20, 1995

President Clinton believes America's seniors are central to our communities and is dedicated to ensuring that Americans of all ages have the opportunity to live full and independent lives. That is why President Clinton is fighting to protect Medicare, Medicaid, Social Security and Older American Act programs.

A RECORD OF ACCOMPLISHMENT:

? Fighting to Protect Medicare and Medicaid: President Clinton fought drastic Republican cuts in Medicare and Medicaid that would shift a staggering financial burden to elderly and disabled Medicare beneficiaries; and reduce Medicaid nursing home coverage for hundreds of thousands of elderly and disabled. The President opposes Republican proposals to reduce Medicaid long

-term care coverage and to
repeal enforcement of quality standards for nursing homes. He has consistently supported expanding state administered home and community

-based care services, tax clarifications
and consumer standards for private long

-term care insurance
and penalty

-free withdrawals from IRAs to pay for long

-term
care. President Clinton has worked to strengthen and improve Medicare and Medicaid by combating fraud and abuse, enhancing quality and supporting an expansion of managed

-care options to increase choices for beneficiaries
-- not as a smokescreen for deep and arbitrary cuts. In addition, he has proposed providing more preventive services and a respite care benefit for families of victims of Alzheimer's disease under Medicare.

? Promoting Economic Security: President Clinton is committed to preserving Social Security benefits and ensuring the long

-term integrity of the Trust Fund. The President stated benefits should not be used to balance the budget or pay for tax cuts for the wealthy. The President proposed the Retirement Savings and Security Act to help Americans save for retirement by increasing pension portability, enhancing pension protection and expanding coverage. In addition, the President signed the Retirement Protection Act so that workers and retirees can count on receiving the pension they have earned.

? Strengthening Supportive Services and Opportunity: President Clinton proposed reauthorization of Older Americans Act to renew and strengthen critical Meals on Wheels, transportation, senior community employment and ombudsman services. The President is fighting to support and protect the Corporation for National Service's Senior Service Programs -- Foster Grandparents, Senior Companions and the Retired Senior Volunteer Program.

? Bringing Seniors to the Table: President Clinton elevated the Commissioner of Aging to Assistant Secretary status and called for the fourth White House Conference on Aging, after the 1991 Conference failed to take place.

? Making Our Communities Safer: President Clinton broke six years of Congressional gridlock by signing the toughest and smartest Crime Bill ever with bipartisan support and endorsements from every major law enforcement organization. This historic legislation:

- Created the COPS program, which is putting 100,000 more community police officers in cities, towns, and rural areas -- more than 43,000 officers have already been funded.
- Banned 19 of the deadliest assault weapons and their copies, but specifically protected more than 650 legitimate sporting weapons.
- Targeted career violent offenders with a "Three

-Strikes

-and

-You're

-Out" policy that keeps them behind bars for life.
- Provided $7.9 billion in funding for more prison cells to help states ensure that violent offenders serve their full sentences.

In addition, the President fought for and signed the Brady Bill which has prevented over 60,000 convicted felons, fugitives, stalkers and other criminals from buying handguns. The number of murders fell 8% in 1995 -- one of the largest declines in more than three decades. The nation's largest cities saw their overall crime fall 6% during the same period.

THE CHALLENGES AHEAD:
The President will continue to fight for policies that honor our commitments to older Americans and allow them to remain independent and active participants in our communities. The President will continue to work to:
PRINTER FONT 12_POINT_ROMAN_ITALIC

PRINTER FONT 12_POINT_ROMAN

? Preserve and strengthen Medicare through assured financial solvency without substantial new costs on beneficiaries; expanded choices of

high

-quality health plans and delivery systems; and new preventive benefits and strong new projections against fraud and abuse.

? Improve access to long

-term care through
new grant program to states for home
and community

-based care and new Medicare benefit to provide
respite care to family members of persons with Alzheimer's.

? Implementing private long

-term care insurance
standards to protect consumers against substandard
policies and unacceptable insurance practices.

? Maintaining federal quality standards for nursing homes
and projections against impoverishment for spouses of
nursing home residents in the Medicaid program.
?? Ensure economic security for older Americans through an
improved pension system and strong long

-term financial
basis for Social Security.

May 1996
================= END ATTACHMENT 1 =================

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

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

CREATION DATE/TIME:16-JUL-1996 19:11:26.11

SUBJECT: New DOL Pension Protection Initiative

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

TO: Gene B. Sperling (SPERLING_G) Autoforward to: Daniel Taberski (TABERSKI_D)
(WHO)
READ:16-JUL-1996 19:46:12.82

TO: Pauline M. Abernathy (ABERNATHY_P) (OPD)
READ:18-JUL-1996 21:29:47.39

TEXT:
I have received from the Labor Department a draft of a fairly turgid document called "Protecting Your Pension Money: A Handbook on Pension Plan Investments." The reason it's so turgid is that it tells the reader in detail how to read the even more turgid documents a pension plan must provide to participants on request. I suspect the audience may well be the lawyers who are already supposed to know this stuff, plus a few activists, but the idea is certainly nice, and it's much better than trying to figure out all the stuff yourself. Labor would like to roll this out pretty soon. Do we want the White House to be part of the rollout? Ellen

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

CREATOR: Molly Brostrom (BROSTROM_M) (WHO)

CREATION DATE/TIME:30-JUL-1996 17:00:10.09

SUBJECT: two questions

TO: Ellen S. Seidman (SEIDMAN_E) (OPD)
READ:30-JUL-1996 18:42:01.56

TEXT:
1--The Seniors Issue Brief includes the following bullet:
Promoting and Strengthening Retirment Savings: President Clinton's pension initiatives are helping more Aemricans save for retirement and ensuring that pension benefits are safeguarded for retirement. The Retirement Savings and Security Act proposed this year by the President would increase pension portability, enhance pension protection and expand coverage. The Retirement Protection Act, signed by the President in 1994, strengthened pension plan standards and enhanced enforcement authority so that workers and retirees can count on receiving the pensions they have earned.
As far as you know, are those statements safe, i.e. are you aware of any potential criticism?

2--Do you follow the SBA 504 program (low-cost loans to small business for capital devlpt)? If so, can I refer someone to you who has concerns about a reported OMB proposal to make it a no-cost program; they have data to show that the proposal would make the program uneconomic for borrowers? If not, any thoughts on who in the White House and/or OMB works on this?
thanks much

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies a responsive email, already made available within another collection.

Collection: 2014-0226-F

Bucket: WHO

Creation Date: 1996-08-23

Subject: Draft Labor/HHS/Ed letter

Creator: Charles E. Kieffer KIEFFER_C OMB

Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies a responsive email, already made available within another collection.

Collection: 2014-0226-F

Bucket: WHO

Creation Date: 11996-09-09

Subject: Draft union language on Labor/HHS

Creator: Charles E. Kieffer KIEFFER_C OMB

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

CREATOR: Leanne Johnson (JOHNSON_L) (WHO)

CREATION DATE/TIME:10-SEP-1996 13:57:00.44

SUBJECT: UAW/IAM/USWA rough draft

TO: Lori R. Schack (SCHACK_L) Autoforward to: Remote Addressee (Lori Schack@eop@lngtwy@eopmrx) (OMB)
READ:NOT READ

TEXT:
Hi Lori,
Following is the rough draft based on the info you sent me and the first page of Jack Lew's letter to Senator Bird for your edits/approval. Thanks!

Thank you for writing to me. I appreciate knowing of your concerns regarding the Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill. Please be assured that I will veto this legislation if it is presented to me in its current form. As you mentioned in your letter, the House-passed version of this bill severely harms programs such as the Employment Service and the Unemployment Insurance Administration. These programs promote long-term economic growth by ensuring worker protections, and by giving average Americans the skills they need to get high-wage jobs. Also, the proposed cuts in funding for the National Labor Relations Board would result in fewer workplace inspections, reduced aid to small businesses, and the potential elimination of my Administration's initiatives to ensure pension protection and improve workplace safety and health.
These and other issues in this legislation make it unacceptable, and I have shared my objections with the Senate Committee on Appropriations. As we continue working with the Congress to ensure that this bill upholds our commitment to American workers and their families, I look forward to your continued involvement.

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

CREATOR: Molly Brostrom (BROSTROM_M) (WHO)

CREATION DATE/TIME:10-SEP-1996 21:55:22.00

SUBJECT: briefing

TO: Patricia F. Lewis (LEWIS_PF) (WHO)
READ:11-SEP-1996 08:42:59.10

TEXT:
I just re-reviewed the Pension piece of the talking points you sent up and realized that our Retirement Savings and Security Act was left out -- we proposed it this winter/spring -- it's not terribly substantial and it hasn't gone any where -- maybe that's why it was left out.
But if you can edit those talking points, I would add it under remaining agenda, something like:
Promote and strengthen retirement savings by enacting the "Retirement Savings and Security Act" which would increase pension portability, enhance pension protection and expand coverage.
Again, if you have questions/need further detail, Ellen Seidman is the pension guru.

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

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

CREATION DATE/TIME:11-SEP-1996 15:47:15.15

SUBJECT: Church Pensions

TO: Ellen S. Seidman (SEIDMAN_E) (OPD)
READ:11-SEP-1996 15:50:26.80

CC: Elena Kagan (KAGAN_E) (WHO)
READ:11-SEP-1996 16:32:37.09

TEXT:

=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE:11-SEP-1996 15:17:00.00

ATT BODYPART TYPE:E

ATT CREATOR: Mark D. Menchik

ATT SUBJECT: LRM 5303/Securities Amendments

ATT TO: SCHROEDER_I (SCHROEDER_I@A1@CD)

TEXT:
Message Creation Date was at 11-SEP-1996 15:17:00

Speaking from a pension perspective, I have no objection to either SEC version of the provision on church pension plans. I prefer the second version because it more clearly states that plans are for workers' exclusive benefit ; this is the major pension protection in any of the new versions.

For the record, I do not share DOJ's concerns with the original language. Its treatment of church plans is not arbitrary. It has the entirely secular purpose of consistency with how ERISA and the tax code treat church plans.

None of the versions is PAYGO.
================= END ATTACHMENT 1 =================

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

CREATOR: Leanne Johnson (JOHNSON_L) (WHO)

CREATION DATE/TIME:13-SEP-1996 15:53:13.71

SUBJECT: Dol, HHS, DoEd and related agencies Approps. bill

TO: Barbara C. Chow (CHOW_B) (WHO)
READ:13-SEP-1996 15:53:27.32

TEXT:
Hi Barbara,
Chris Walker suggested that I run this language by you for your edits approval.
The language has been approved by OMB's Labor branch (Maureen Walsh). Please let me know if its o.k. Thanks!

Thank you for writing to me. I appreciate knowing of your concerns regarding the Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill for fiscal year 1997.
I have grave concerns about this legislation in its current form. As you mentioned in your letter, the House-passed version of this bill harms education, training, and other important Department of Labor programs such as the Employment Service and the Unemployment Insurance Administration. These programs promote long-term economic growth by ensuring worker protections, and by giving average Americans the skills they need to get high-wage jobs. Proposed cuts in funding for worker protection programs, including the Occupational Safety and Health Administration and the National Labor Relations Board, would result in fewer workplace inspections, diminished enforcement of the National Labor Relations Act, and the potential elimination of my Administration's initiatives to ensure pension protection and improve workplace safety and health. My Administration will continue to work to remove objectionable appropriations riders, including language affecting ergonomics protection, NLRB jurisdictional thresholds, and single location bargaining units, in an appropriations bill or Continuing Resolution.
As we continue working with the Congress to ensure that this bill upholds our commitment to American workers and their families, I look forward to your continued involvement.

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

CREATOR: Leanne Johnson (JOHNSON_L) (WHO)

CREATION DATE/TIME:13-SEP-1996 16:21:47.25

SUBJECT: Yokich, et al.

TO: Jennifer M. O'Connor (OCONNOR_J) (WHO)
READ:13-SEP-1996 17:23:22.41

TEXT:
Hi Jennifer,
1. I've faxed you this incoming. Per Leg affairs (Barbara Chow), the response should come from OMB because the language is so detailed. Please let me know what you think. The draft language follows.
2. The UTU incoming. Can I respond saying something along the lines of "My Administration will be discussing this issue with the Department of Health and Human Services, and I have shared you letter with Secretary Shalala...."?
3. The Metal Trades Department letter that I spoke about earlier today. Could we have the response come from the appropriate DoL office/Secretary Reich since the incoming is so old (May 20, 1996). When last I spoke to Bill Samuels about the language, he was still in the process of getting language. I really think it would look bad for the President to respond 4 months after the letter was written.

****

Thank you for writing to me. I appreciate knowing of your concerns regarding the Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill for fiscal year 1997.
I have grave concerns about this legislation in its current form. As you mentioned in your letter, the House-passed version of this bill harms education, training, and other important Department of Labor programs such as the Employment Service and the Unemployment Insurance Administration. These programs promote long-term economic growth by ensuring worker protections, and by giving average Americans the skills they need to get high-wage jobs. Proposed cuts in funding for worker protection programs, including the Occupational Safety and Health Administration and the National Labor Relations Board, would result in fewer workplace inspections, diminished enforcement of the National Labor Relations Act, and the potential elimination of my Administration's initiatives to ensure pension protection and improve workplace safety and health. My Administration will continue to work to remove objectionable appropriations riders, including language affecting ergonomics protection, NLRB jurisdictional thresholds, and single location bargaining units, in an appropriations bill or Continuing Resolution.
As we continue working with the Congress to ensure that this bill upholds our commitment to American workers and their families, I look forward to your continued involvement.

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

CREATOR: Pauline M. Abernathy (ABERNATHY_P) (OPD)

CREATION DATE/TIME:17-SEP-1996 11:57:01.75

SUBJECT: PRESIDENT CALLS FOR PENSION PROTECTION

TO: Gene B. Sperling (SPERLING_G) Autoforward to: Daniel Taberski (TABERSKI_D) (WHO)
READ:17-SEP-1996 11:57:21.90

TO: Ellen S. Seidman (SEIDMAN_E) (OPD)
READ:17-SEP-1996 11:57:25.09

TO: Mark J. Mazur (MAZUR_M) (WHO)
READ:17-SEP-1996 14:32:26.27

TO: Chris Dorval (DORVAL_C) (OPD)
READ:17-SEP-1996 13:53:32.54

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

TO: Eli Attie (ATTIE_E) (WHO)
READ:17-SEP-1996 12:05:59.19

TO: Michael Warren (WARREN_M) (OPD)
READ:17-SEP-1996 12:06:53.27

TEXT:
Date: 09/17/96 Time: 09:41
CPresident Calls For Pension Protection

WASHINGTON (AP) President Clinton sought today to make it easier for workers to carry their pensions with them when they change jobs, part of his election-year effort to promote economic security for middle-class voters.

The president was scheduled to announce proposed Treasury Department regulations that would remove barriers against transferring retirement savings. He also was to announce guidelines to discourage employers from limiting the investment options of former employees who choose to leave their savings in place.

These two actions incorporate part of the Retirement Savings and Security Act proposed by Clinton earlier this year. They build on pension reforms that Clinton signed into law last month when he approved an increase in the minimum wage.

The changes are designed to help the estimated 5 million people who change jobs each year, White House officials said.

APNP-09-17-96 0951EDT

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

CREATOR: Leanne Johnson (JOHNSON_L) (WHO)

CREATION DATE/TIME: 1-OCT-1996 17:57:14.19

SUBJECT: Labor, HHS, Ed, etc. Approps language

TO: Janet L. Himler (HIMLER_J) (OMB)
READ: 1-OCT-1996 18:02:33.40

TEXT:
Hi Janet,
Thanks so much for looking at this. Here is the language for your edits:

Thank you for writing to me. I appreciate knowing of your concerns regarding the Departments of Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill for fiscal year 1997.

I have grave concerns about this legislation in its current form. My Administration will continue to work to remove objectionable appropriations riders, including language affecting ergonomics protection, NLRB jurisdictional thresholds, and single location bargaining units, in an appropriations bill or Continuing Resolution. As you mentioned in your letter, the House-passed version of this bill harms education, training, and other important Department of Labor programs such as the Employment Service and the Unemployment Insurance Administration. These programs promote long-term economic growth by ensuring worker protections, and by giving average Americans the skills they need to get high-wage jobs. Proposed cuts in funding for worker protection programs, including the Occupational Safety and Health Administration and the National Labor Relations Board, would result in fewer workplace inspections, diminished enforcement of the National Labor Relations Act, and the potential elimination of my Administration's initiatives to ensure pension protection and improve workplace safety and health.

As we continue working with Congress to ensure that this bill upholds our commitment to American workers and their families, I look forward to your continued involvement.

RECORD TYPE: PRESIDENTIAL (XCHANGE MAIL)

CREATOR: Brian D Smith (CN=Brian D Smith/OU=DOL/O=GOV [DOL])

CREATION DATE/TIME: 3-OCT-1996 15:04:45.00

SUBJECT: DOL Weekly and Hot Issues

TO: Stefanie Sanford (CN=Stefanie Sanford/OU=WHO/O=GOV [Cabinet Affairs])
READ:UNKNOWN

TO: Carl E. Snoddy (CN=Carl E. Snoddy/OU=OA/O=EOP [Cabinet Affairs])
READ:UNKNOWN

TO: Ronda Jackson (CN=Ronda Jackson/OU=WHO/O=GOV [Cabinet Affairs])
READ:UNKNOWN

TO: Elizabeth Toohey (CN=Elizabeth Toohey/OU=WHO/O=GOV [Cabinet Affairs])
READ:UNKNOWN

TO: Loreen Keller (CN=Loreen Keller/OU=WHO/O=GOV [Cabinet Affairs])
READ:UNKNOWN

TO: David Beaubaire (CN=David Beaubaire/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

TO: Rosemary O'Shea (CN=Rosemary O'Shea/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

TO: Dan Lipner (CN=Dan Lipner/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

TO: Anne McGuire (CN=Anne McGuire/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

TO: Kris Balderston (CN=Kris Balderston/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

TO: Deborah J. Behr (CN=Deborah J. Behr/OU=WHO/O=GOV [OA])
READ:UNKNOWN

TO: Stephen B. Silverman (CN=Stephen B. Silverman/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

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

TEXT:

PRINTER FONT 10_POINT_ROMAN
SUBJECT: DEPARTMENT OF LABOR HOT ISSUES IN MAINE

DATE: October 3, 1996

? Occupational Safety at DeCoster Eggs: On July 12, the Secretary announced a $3.6 million fine for DeCoster Egg Farms. The business was cited for numerous occupational safety and health violations as well as violations of wage and hour laws. DeCoster had been the subject of numerous investigations and citations. In late July, newspapers reported that several large New England supermarket chains had stopped selling DeCoster eggs. On August 29, DeCoster held a press conference at which they promised to abide by the law. They did not, however, make any progress in the payment of the fine. On September 9, the Occupational Safety and Health Administration began the processes necessary for court action on the citations. Most recently, the Department has tested the water at the DeCoster facility for dangerous contaminants. The investigation is continuing.
================== END ATTACHMENT 1 ==================

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

TEXT:
PRINTER FONT 12_POINT_ROMAN
MEMORANDUM FOR KITTY HIGGINS
SECRETARY TO THE CABINET

FROM: ROBERT B. REICH
SECRETARY OF LABOR

SUBJECT: WEEKLY REPORT
WEEK OF SEPTEMBER 30, 1996

DATE: OCTOBER 3, 1996

I. HEADLINES

? Steelworkers: Some 4,500 workers represented by the Steelworkers went on strike October 1 at eight facilities of the Wheeling

-Pittsburgh Steel Corporation in Ohio, Pennsylvania, and West Virginia after negotiations failed to produce agreement on a new contract. The company's pension plan is the principal issue in dispute, with the union seeking a defined benefit plan to replace the existing defined contribution one. The company has stated that it does not plan to perform any production work during the strike, except for cokemaking, and does not plan to ship any products from struck plants.

? Canadian Auto Workers: On October 3, the Canadian Auto Workers began a strike against General Motor?s Canadian subsidiary. A General Motors spokesman said that the strike will not derail ongoing talks with the United Auto Workers. A lengthy Canadian strike could effect parts shipments to

plants in the United States.
? Employment Situation: On October 4, the Secretary released the national employment and unemployment situation for the month of September.

II. KEY DEPARTMENT NEWS

? Pabst Brewing: On September 27, the federal district court in Wisconsin denied a retirees? motion for preliminary injunction in Pabst Brewing Co. v. Corrao, a private suit under the Employee Retirement Income Security Act (ERISA). The Department filed an amicus brief in support of the retirees, who were challenging the legality of Pabst?s decision to terminate health benefits for certain retirees. The court found that the collective bargaining agreement and related insurance documents did not legally obligate Pabst to provide lifetime health benefits to retirees.

? Domestic Violence: On October 3, the Secretary delivered opening remarks at the Department?s Domestic Violence Month event. The Department hosted a panel discussion of experts to address ways to eliminate domestic violence.
? Producer Prices: On October 11, the Bureau of Labor Statistics will release the Producer Price Index for the month of September.
? Collective Bargaining Update
United Auto Workers: On September 29, representatives of Chrysler and the United Auto Workers finalized the terms of a tentative three

-year agreement while union members at Ford plants were completing voting to approve their new contract. The Chrysler agreement reportedly is similar to that at Ford, but details will not be announced until the UAW

-Chrysler Council of local union officers has been briefed on its terms. The ratification process is expected to be completed by October 13. In the balloting at Ford, ninety percent of the production workers and 83 percent of the skilled trades workers approved the contract. The UAW, in a departure from past practice, had not identified a "target" company following the Ford settlement, but had instead continued talks with both General Motors and Chrysler. The spotlight now focuses exclusively on GM, where talks reportedly are progressing well.
Longshoremen: The official results have yet to be announced, but the Pacific Maritime Association reportedly has been notified by the International Longshoremen's and Warehousemen's Union that its members have ratified the tentative three

-year agreement reached in July. News reports indicate that 62 percent of those voting approved the agreement. This coast wide "super

-majority" is
sufficient to override the "vetoes" of two large locals. An official announcement was announced on October 2. The contract covers some 8,000 longshore and dockside workers at ports in California, Oregon, and Washington.
Elsewhere in the industry, the International Longshoremen's Association has reached tentative agreement on local contracts at most ports on the Atlantic and Gulf coasts. Talks are expected to continue at the ports which have not come to terms. The contracts, which expired on September 30, cover workers handling breakbulk cargo. The ILA and the Carriers Container Council reached a tentative agreement in mid

-September on a five

-year master contract covering
some 15,000 to 20,000 longshoremen handling containerized cargo at ports from Maine to Texas. Ratification voting on

both the master and local contracts took place on October 2.
Washington Janitors: Negotiators for Service Employees Local 82 and cleaning contractors at commercial office buildings in the Washington, D.C. area are continuing talks beyond the September 30 expiration of their contracts. The union represents some 1,700 janitors, most of whom are
part

-timers. Wage levels and health care coverage are the principal issues in dispute. The local is engaged also in an organizing campaign in the area, and reportedly plans demonstrations at various sites, including National Airport.
Philadelphia Orchestra: The strike by members of the Philadelphia Orchestra continues with no progress reported. Orchestra members last week rejected by "acclamation" a management offer to return to work while talks continued, and later filed an unfair labor practice charge with the National Labor Relations Board alleging that management had not bargained in good faith. All performances through Wednesday, October 2, were canceled, but no announcement has been made for subsequent performances. Continuation of the electronic

-media guarantee, a salary supplement for
recording and broadcast work, is the principal issue in dispute.

III. AGENCY WORK ON PRESIDENTIAL INITIATIVES

? Minimum Wage: On October 1, Secretary Reich participated in a press conference with Senators Daschle, Kennedy, Wellstone, and Levin to observe the increase in the federal minimum wage from $4.25 and hour to $4.75 an hour. The Secretary also delivered a lecture at George Washington University about the minimum wage.

? Pension Protection: On October 3, the Secretary held a press conference to announce the largest multi

-employer pension
settlement in the Pension Benefit Guaranty Corporation. The agreement -- with Amalgamated Insurance Fund -- covers 70,000 workers in the men?s clothing industry.

IV. NOTABLE CONGRESSIONAL ACTIVITY

? G.I. Bill for America?s Workers: On September 27, Senator Kassebaum conceded in a statement on the Senate floor that the CAREERS/Workforce Development Act Conference Agreement could not be passed due to Democratic objections to the bill.

? Veterans? Employment: The Veteran's Benefits Improvement Act

has been approved by both the House and Senate and is expected to be transmitted to the White House shortly. The bill establishes a commission to evaluate federal programs that assist service members in readjusting to civilian life including the Department?s training programs.

? Pensions: Conferees for the FAA Reauthorization bill dropped the Simon/Jeffords pension audit amendment from the measure. The Simon/Jeffords amendment would have amended the Employee Retirement Income Security Act (ERISA) to provide for comprehensive audits of pension plans. The Securities Amendments of 1996 has been approved by both the House and the Senate and is expected to be transmitted to the White House shortly. Among other things, the bill amends the registration requirements under federal securities law to require that investment advisers who manage less than $25 million in assets be registered by state, not federal, regulators. Under federal pension law, the ERISA, only those investment advisers who are registered under federal securities laws can be delegated fiduciary responsibility.

V. SECRETARY?S SCHEDULE

? Fire Prevention Week: On October 8, the Secretary will participate in an event to highlight the hazards of workplace fires. The Secretary will discuss common sense tips to prevent and avoid workplace fire disasters.

? Gallaudet University Speech: On October 9, the Secretary will discuss the Labor Department?s activities to help disabled workers adjust to new economic realities at a speech at Gallaudet University.

? National Council of Negro Women: On October 9, the Secretary will participate in an event with contributors to the National Council of Negro Women?s new book Voices of Vision: African American Women on the Issues.

? National Association of Jewish Women: On October 10, the Secretary will deliver a speech about sweatshops to the National Association of Jewish Women in New York. The Secretary will also conduct media interviews in New York about sweatshop abuses.

? Political Travel: On October 11, the Secretary will travel to up

-state New York for political events.
VI. SUB

-CABINET SCHEDULE
? On October 8, Olena Berg, Assistant Secretary for Pension

and Welfare Benefits, will speak to the American Savings Education Council on PWBA's pension education campaign.
? On October 3, Director

-designate of the Women?s Bureau, Ida Castro will participate in a panel on violence against women at the National Puerto Rican Coalition conference in Washington, DC. During the second week of October, Castro will travel to New York for a series of events. On October 9, she will give the keynote address at the Long Island Women?s Council for Equal Education, Training and Employment. On October 10, Castro will attend the Garment Workers Conference in New York city. On October 11, Castro will give the keynote address at the Cornell University Institute for Women and Work.
? Joseph A. Dear, Assistant Secretary for the Occupational Safety and Health Administration gave a speech on October 3 to the National Construction Safety Executives in Seattle, WA.
? Ren? A. Redwood, special assistant to the Secretary of Labor will speak at the National Council of Negro Women?s Inaugural Activities in Washington, DC during the week of October 7.
VII. PRESS
?September 30: Secretary Reich was interviewed by a reporter with The New York Times, Detroit, MI bureau, for a story on the minimum wage. He also had an interview with an AP reporter to discuss the minimum wage.
?October 1: The Secretary participated in a Capitol Hill press conference with Senators Daschle and Gephardt regarding the minimum wage increase. Secretary Reich delivered a lecture on the minimum wage before business students at the George Washington University Business School. He also had an interview with Reuters to discuss the minimum wage increase.
?October 2: Secretary Reich hosted a press lunch with an editor with USA Today to discuss key economic issues. He also had several radio and print interviews regarding pension protection including NBC Radio Network; Bloomberg Radio; Marketplace Radio; The Jack Cole Show; AP; and The Boston Globe.
?October 3: The Secretary held a press conference to announce the largest multi

-employer pension settlement in the Pension and Benefit Guaranty Corporation?s enforcement history. Attending the press conference were television and print reporters from ABC; CBS; Nightly Business Report; Fox; The New York Times; The Wall

Street Journal; AP; Bloomberg; Dow Jones; and BNA. Secretary

Reich had several interviews with members of the regional press
to discuss pension protection including New York Daily News;
Chicago Tribune; Chicago Sun

-Times; The Boston Globe; The
Buffalo News, Buffalo, NY; The St. Petersburg Times, St.
Petersburg, FL; Cedar Rapids Gazette, Cedar Rapids, IA; Cleveland
Plain Dealer, Cleveland, OH; Portland Oregonian, Portland, OR;
Providence Journal

-Bulletin, Providence, RI; and Seattle
Post

-Intelligencer, Seattle, WA. The Secretary also hosted a
press breakfast with an editor with The New Republic as well as a
luncheon with a reporter with CNN.
?October 4: Secretary Reich had several interviews with
television, radio and print reporters to discuss the monthly
unemployment figures for September 1996 including the following:
Dow Jones TV; Reuters TV; CNN/FN; Associated Press; NPR; CBS
Radio Network; ABC Radio Network; NBC Radio Network;
Knight

-Ridder; The New York Times; The Wall Street Journal; and
USA Today.

VIII. FOIA REQUESTS

There were no major FOIA requests this week.

================= END ATTACHMENT 2 =================

RECORD TYPE: PRESIDENTIAL (XCHANGE MAIL)

CREATOR: Brian D Smith (CN=Brian D Smith/OU=DOL/O=GOV [DOL])

CREATION DATE/TIME:10-OCT-1996 14:14:17.00

SUBJECT: DOL Weekly

TO: Stefanie Sanford (CN=Stefanie Sanford/OU=WHO/O=GOV [Cabinet Affairs])
READ:UNKNOWN

TO: Carl E. Snoddy (CN=Carl E. Snoddy/OU=OA/O=EOP [Cabinet Affairs])
READ:UNKNOWN

TO: Ronda Jackson (CN=Ronda Jackson/OU=WHO/O=GOV [Cabinet Affairs])
READ:UNKNOWN

TO: Elizabeth Toohey (CN=Elizabeth Toohey/OU=WHO/O=GOV [Cabinet Affairs])
READ:UNKNOWN

TO: Loreen Keller (CN=Loreen Keller/OU=WHO/O=GOV [Cabinet Affairs])
READ:UNKNOWN

TO: David Beaubaire (CN=David Beaubaire/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

TO: Rosemary O'Shea (CN=Rosemary O'Shea/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

TO: Dan Lipner (CN=Dan Lipner/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

TO: Anne McGuire (CN=Anne McGuire/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

TO: Kris Balderston (CN=Kris Balderston/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

TO: Deborah J. Behr (CN=Deborah J. Behr/OU=WHO/O=GOV [OA])
READ:UNKNOWN

TO: Stephen B. Silverman (CN=Stephen B. Silverman/OU=WHO/O=GOV [WHO])
READ:UNKNOWN

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

TEXT:
PRINTER FONT 12_POINT_ROMAN
MEMORANDUM FOR KITTY HIGGINS
SECRETARY TO THE CABINET

FROM: ROBERT B. REICH
SECRETARY OF LABOR

SUBJECT: WEEKLY REPORT
WEEK OF OCTOBER 7, 1996

DATE: OCTOBER 10, 1996

I. HEADLINES

? Canadian Auto Workers: The Canadian Auto Workers? strike at General Motors has begun to affect G.M.?s U.S. operations. The series of ?selective and escalating? strikes began on October 3 and expanded on October 6. The 26,000 striking workers have idled production at all General Motors plants in Canada. On October 8, G.M. reported that the strike forced lay

-offs at the Tonawanda, NY, engine plant (1,050 workers) and the Ypsilanti, MI, transmission plant (800 workers). Talks resumed on October 7, but little progress was reported.

? Sweatshop Merchandise: On October 4, the Secretary notified some of the nation?s major retailers, distributors and manufacturers that they had received goods made in sweatshops. Sears, Macy?s West, Hub and Guess were cited as receiving merchandise produced in sweatshops. The companies received apparel goods manufactured by Chums Casual of Los Angeles. A Labor Department investigation of Chums revealed workers paid below the minimum wage.

II. KEY DEPARTMENT NEWS

? Employer Costs: On October 10, the Bureau of Labor Statistics issued its annual report on employer costs for employee compensation for March 1996. The average employer cost for employee compensation was $18.82. The compensation was a 2.4 percent increase in nominal compensation over March 1995.

? Indexes: On October 11, the Bureau of Labor Statistics released the Producer Price Index for September. On October 16, the Bureau will issue the Consumer Price Index for September.

? Collective Bargaining Update:

United Auto Workers: The pace of talks at General Motors has slowed while the parties await the outcome of the strike in Canada. At Chrysler, the tentative three

-year agreement
reached on September 29 has been approved by the UAW

-Chrysler Council of local union officers, and the ratification process is expected to be completed by October 13.

Longshoremen: Members of the International Longshoremen?s Association have approved a five

-year master contract
covering 15,000 to 20,000 longshoremen handling containerized cargo. The contract provides hourly wage increases of $4.00 in return for reductions in ?gang? size. In local negotiations at ports from Maine to Texas, some members have approved new contracts while others are continuing to work under extensions of existing agreements. The only stoppages reported were a one

-day strike in Boston
and a continuing strike at terminals in Philadelphia. The local contracts vary depending on business conditions in the port. Meanwhile, on the west coast, the International Longshoremen?s and Warehousemen?s Union announced on October 3 that its members had ratified the tentative three

-year
agreement reached in July with the Pacific Maritime Association.
Steelworkers: No talks have been held and none are scheduled in the strike by some 4,500 workers represented by the Steelworkers at the Wheeling

-Pittsburgh Steel Corporation.
The workers left their jobs on October 1 at the company?s facilities in Ohio, Pennsylvania, and West Virginia after negotiations failed to produce agreement on a new contract. The company?s pension plan is the principal issue in dispute, with the union seeking a defined benefit plan to replace the existing defined contribution one. The company has stated that it does not plan to perform any production work during the strike, except for cokemaking, and does not plan to ship any products from struck plants.
Washington Janitors: Janitors represented by Service Employees Local 82 are continuing to work under extensions of their agreements with cleaning contractors at commercial office buildings in the Washington, DC area. The contracts covering some 1,700 janitors, most of whom work part

-time,
expired on September 30. Wage levels and health care coverage are the principal issues in dispute. The local is engaged in an organizing campaign in the area, and reportedly plans demonstrations at various sites, including National Airport.
Philadelphia Orchestra: Negotiators returned to the bargaining table on October 5 for the first time in nearly

two weeks. Talks have continued, but a settlement continues to elude the parties. The stoppage began on September 16 after the musicians rejected overwhelmingly the Orchestra

Association's last offer. All performances through October 12 have been canceled. Continuation of the electronic

-media
guarantee, a salary supplement for recording and broadcast work, is the principal issue in dispute.
Atlanta Gas Light: Some 750 workers represented by Teamsters Local 528 struck the Atlanta Gas Light Company on October 7 after rejecting the utility?s final offer for a contract to replace that which expired on September 15. The parties reportedly had reached agreement on non

-economic matters,
but could not come to terms on economic issues. The company plans to continue service with supervisory personnel and existing contractors. Atlanta Gas Light is the largest natural gas distribution company in the southeast.
Aircraft and Aerospace: Over the next few weeks, contracts in the aircraft and aerospace industry are scheduled to expire. Cessna Aircraft and Learjet both of Wichita, KS have contracts expiring on October 13 and November 5, respectfully. Hughes Missile Systems of Tucson, AZ, contracts will expire on October 23. On November 1, the contracts at Lockheed Martin in Austin, TX will expire.
III. AGENCY WORK ON PRESIDENTIAL INITIATIVES
? Pension Protection: On October 3, the Secretary announced a consumer booklet to help workers monitor the financial operation of the their retirement plans. The booklet helps consumers recognize the indications that the law governing pensions plans -- the Employee Retirement Income Security Act -- has been violated.
? Pension Security: The Secretary announced, on October 3, that the Department?s ?Pension Payback Program? had restored about $5 million in delinquent retirement savings in pension funds. The program provided a six month amnesty for employers who had improperly delayed contributions to employee pension funds. In total, 170 employers took advantage of the program and restored $4.8 million in delinquent contributions ranging from $43 to $200,000.
IV. NOTABLE CONGRESSIONAL ACTIVITY
? Health Care for the Unemployed: On September 27, prior to adjournment of the 104th Congress, Senator Kennedy introduced legislation to provide health care for unemployed workers. Kennedy described the bill as the next logical

step in health care reform and a modified version of your proposal. The bill is paid for by closing $2 billion worth of corporate loopholes. Senator Kennedy intends to pursue this legislation as an early priority in the 105th Congress.
V. SECRETARY?S SCHEDULE
? Political Travel to Massachusetts: On October 16, the Secretary will participate in an event for Senator John Kerry in Boston, MA.
? Political Travel to Wisconsin: On October 16, the Secretary

will participate in an rally for Congressman Gerald Kleczka in Milwaukee, WI. He will also attend an event for the Wisconsin Coordinated Campaign. In the evening, he will attend a debate

-watch party. On October 17, the Secretary will participate in events with Congressman David Obey.

VI. SUB

-CABINET SCHEDULE

? On October 8, Olena Berg, Assistant Secretary for Pension and Welfare Benefits, spoke to the American Savings Education Council on the pension education campaign. On October 17, Olena Berg will speak to the International Brotherhood of Electrical Workers

-National Electrical Contractors Association Employee Benefits Conference.

? During the week of October 7, Director

-designate of the Women?s Bureau, Ida Castro will travel to New York for a series of events. She will give the keynote address at the Long Island Women?s Council for Equal Education, Training and Employment on October 9. On October 10, Castro will attend the Garment Workers Conference in New York City. On October 11, Castro will give the keynote address at the Cornell University Institute for Women and Work seminar. On October 15, Castro will give the keynote address, ?Hispanics Challenging the Future,? at the Fort Rucker Military Communities? luncheon celebrating Hispanic Heritage Month.

? On October 9, Assistant Secretary for Congressional and Intergovernmental Affairs Geri Palast, will be the keynote speaker at the Accrediting Council for Continuing Education and Training convention in Arlington, VA. The group of independent educational and training institutions offer education and training for non

-academic credentials. The speech will focus on employment and training legislation during the past legislative session.

? Assistant Secretary of Labor for Veterans Employment and Training Preston M. Taylor Jr. was the featured luncheon

speaker at the Tri

-Regional One

-Stop Conference on October 8, in New Brunswick, NJ.

VII. PRESS

? October 8: Secretary Reich was a guest on The Derek McGinty Show, a syndicated talk radio program broadcast from Washington, D.C.?s WAMU, to discuss economic issues. The

Secretary was interviewed by a reporter with The Washington Post to talk about economic issues. He also had radio interviews with NBC and AP Broadcast to discuss fire prevention in the workplace.

? October 9: The Secretary delivered the keynote address regarding American?s with disabilities in the workforce at the dedication ceremony of Gallaudet University?s Kellogg Conference Center. He hosted a press lunch with a CNN correspondent. Secretary Reich was interviewed by a reporter with Reuters to discuss education and job training.

? October 10: Secretary Reich traveled to New York. In New York he met with an ABC television anchor and a New York Times reporter to discuss Department of Labor issues. The Secretary was interviewed by a correspondent with CBS? ?48 Hours? for a story on Nike and child labor. He was a guest on the syndicated Gil Gross radio show to discuss debate issues. The Secretary was also a guest on Fox television?s new cable network to discuss economic issues.

VIII. FOIA REQUESTS

? On September 20, John A. Boucher submitted a request for information on the cost of U.S. Air Force aircraft used to transport Mine Safety and Health Administration emergency equipment from Pittsburgh, PA to Grand Junction, CO in support of the Wilberg mine disaster.

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

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ananias Blocker III (CN=Ananias Blocker III/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:17-JAN-1997 18:35:36.00

SUBJECT: Erskine Bowles Meetings

TO: Elisa Millsap (CN=Elisa Millsap/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
Women's Pension Protection

Moseley-Braun
Boxer
DeLauro
Kennelly
Furse
Lowey
Mink

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:18-OCT-1997 10:39:07.00

SUBJECT: DC Non-judicial Employee Retirement Proposals at Meeting on Friday, October 17

TO: Charles F. Ruff (CN=Charles F. Ruff/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN

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

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

TEXT:
I led a meeting with OPM, OMB and DC Courts personnel. Ray Kogut's memo below outlines our position as a result of the meeting. In my opinion, the Courts, lead by their benefits consultant were trying to "game" the system somewhat. For example the Court's employees do no currently have a non-work related disability plan. They were asking for immediate (as opposed to 18 month) vesting in the FERS disability plan. My standard was "no harm but no advantage" . Once I hear back from Ray Kogut on some of the questions I raised with him about where we stand, I will ask Hammond to redraft the legislative language to comport with our discussion if he wants our support. If he does not do so, I would recommend that we indicate that we do no support this portion of the package. I will keep you informed as we go.
---------------------- Forwarded by G. E. DeSeve/OMB/EOP on 10/18/97 10:35 AM ---------------------------

From: Raymond P. Kogut on 10/17/97 05:24:44 PM
Record Type: Record

To: G. E. DeSeve/OMB/EOP@EOP
cc: See the distribution list at the bottom of this message
Subject: DC Non-judicial Employee Retirement Proposals at Meeting on Friday, October 17

Remaining within the parameters that you established: equity, no advantage given, no resulting disadvantage, cost born by the DC Courts, and context relates DC's defined-contribution plan to the defined contribution part of FERS, not to the defined benefit part of FERS, the discussion ended with the following understandings -----

1. We could support counting DC service under the DC defined contribution plan toward the 3-year vesting requirement of the automatic 1% employer contribution to the Thrift Savings Plan since there was a vesting requirement in the DC defined contribution retirement plan in which these employees participated .

2. We support allowing the employees to choose to return to DC retirement coverage, retroactive to the date of transfer.

3. We could support allowing the DC Courts to establish separate benefit programs to supplement the regular Government- wide retirement and benefit programs so that they could offer, for example, short and/or long term disability insurance.

4. We would not support any proposal to provide credit for prior DC service to meet any eligibility or vesting requirements in the defined benefit portion of FERS, e.g., for disability benefits, for deferred annuity at age 62, for meeting law enforcement retirement requirements.

Message Copied
To:____
David J. Haun/OMB/EOP@EOP
Bruce D. Long/OMB/EOP@EOP
Carol S. Johnson/OMB/EOP@EOP
weflynn@opm.gov@INET
jelander@opm.gov@INET

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Charles M. Brain (CN=Charles M. Brain/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:28-JAN-1999 19:47:32.00

SUBJECT: Re: Pension package announcement on 2/10

TO: marti.thomas (marti.thomas @ treas.sprint.com @ inet [UNKNOWN])
READ:UNKNOWN

TEXT:
fui
---------------------- Forwarded by Charles M. Brain/WHO/EOP on 01/28/99
07:46 PM ---------------------------

Sarah Rosen
01/28/99 09:15:47 AM
Record Type: Record

To: Pieter J. Boelhouwer/OVP @ OVP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Re: Pension package announcement on 2/10

We have a package of legislation (see memo attached -- all outstanding issues have been resolved since this was written) that includes much from previous years but some significant new provisions. The new provisions are in two areas: increasing pension portability and expanding private pension plan coverage, especially for small businesses. In addition, there are two provisions that potus announced last year but we never sent to the hill on women's retirement security. The portability provisions were largely authored by Rep. Pomeroy and we will need to find a role for him in the event. However, members of the Ways and Means and Finance Committee got mad at us last year for giving him too much prominence when they do the work, so leg affairs (Chuck Brain) will need to be consulted about how to best deal with members for the event.

In addition, Treasury Secretary Rubin, Secretary Herman, and PBGC Director David Strauss should probably be invited because their agencies administer the provisions in this bill.

In general, I think the message is that our first priority is to save social security -- but there are three legs to the retirement system -- social security, private pensions, and personal savings -- and we must simultaneously work to strengthen this important second leg as well. (The PResident's USA accounts can be seen as addressing the 3rd leg.) To do so, we must make it easier for small businesses to start pension plans and expand coverage, make it easier to individuals to take their pensions with them as they change jobs (in an increasingly mobile workforce), pay special attention to the needs of women who live longer yet have far less pension protection then men, enhance individual knowledge of pension plan provisions through "Pension right-to-know" provisions, and increase the security of pension plans through various administrative provisions.

Note that Treasury does not plan to have bill language completed for the event. They want to wait and send it with a whole tax bill if we do one. If the VP feels differently, we need to talk to them ASAP. However, we have done this before so I don't see it as a problem.

We are working on hand-outs and other materials for the event. Let me know if you have further questions.

Pieter J. Boelhouwer @ OVP
01/28/99 08:22:23 AM
Record Type: Record

To: Sarah Rosen/OPD/EOP
cc:
Subject: Pension package announcement on 2/10

I thought it would be helpful to touch base about the pension announcement which we have scheduled for the VP on the 10th. Before we recreate the wheel, I was wondering if you had thoughts on overall message, type of event, place, etc. When you get a moment, please give me a call on 6-6265. Thanks

Message Copied
To:
Jonathan Orszag/OPD/EOP
Jonathan A. Kaplan/OPD/EOP
Jake Siewert/OPD/EOP
Sally Katzen/OPD/EOP
Charles M. Brain/WHO/EOP
=================== ATTACHMENT 1 ===================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
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January 25, 1999

MEMORANDUM TO NEC DEPUTIES

FROM: **Sarah Rosen for THE PENSIONS WORKING GROUP**

RE: **FY 2000 PENSION LEGISLATION -- SUMMARY AND OUTSTANDING ISSUES**

I. OVERVIEW

The Pensions Working Group has reached agreement on all but one element of a package of legislation for FY 2000. The proposed table of contents for the package is shown on the following page. Each of the items in the package is summarized in greater detail in the Appendix. As you can see, the package includes the prior year's legislation. The new proposals include significant new provisions to expand pension portability and new incentives for the creation of new plans. The legislation also includes two Women's Retirement Security provisions that have never before been a part of Administration legislation, although the President did propose these provisions at an event last fall.

There is one open issues for which we need guidance from the Deputies. In addition, we want you to be aware of the consequences of another of the new proposals. Finally, there is one item that may or may not be included in the package depending upon the result of internal Treasury deliberations. We wanted you to be aware of that issue so that, if the discussions are resolved satisfactorily in the next few days, it can be included without further clearance. These issues are discussed in this memorandum, following the table of contents. We hope to resolve these issues without a Deputies meeting. **Deputies are asked to provide their views via staff to Sarah Rosen no later than close of business Tuesday, January 26, 1999.** If there are significant differences of opinion, NEC Deputy Director Sally Katzen will convene a conference call or meeting as necessary.

The components of this plan are mentioned at various places throughout the President's FY 2000 budget. The working group is preparing legislation that could be sent to Congress in February following the budget. The Administration might wish to have an event to unveil the proposal, designed not to confuse the message on Social Security. Senator Daschle's staff indicate that they already have dropped in a bill, essentially the same as the Democratic omnibus pensions bill from last year. (That bill included all of the provisions that were in previous Administration pension proposals, plus other items that the Administration did not support.) The Democratic leadership also plans to offer another bill, after our budget is released, that probably will include any new provisions from the Administration along with new provisions that we may or may not support from other members.

II. PRESIDENT CLINTON'S 1999 PENSION LEGISLATION

Notes: Items in ***bold and italics*** have never before been included in legislation sent to Congress by the Administration; however, the President did announce his support for the two provisions under "Women's Retirement Security" late last year. The three items discussed below are marked with an asterisk (*).

A. Expand Private Pension Plan Coverage

1. SMART Plan -- A Simplified Pension Plan for Small Business.
2. Small Business Tax Credit for Retirement Plan Start-up Administrative and Educational Expenses.
3. Expanded Access to Payroll Deduction for Retirement Saving.
4.* ***Eliminate User Fees for Initial Determination Letters for Small Businesses Adopting a Qualified Retirement Plan for the First Time.****
5. ***Reduce PBGC Premiums for New Small Business Plans.***
6.* ***Reduce PBGC Premium for New Larger Business Plans. ****

B. Women's Retirement Security

1. ***Count Leave under FMLA for Vesting and Eligibility Purposes.***
2. ***Require Pension Plans to Offer a 75 Percent Survivor Annuity.***

C. Enhance Pension Portability

1. Faster Vesting of Employer Matching Contributions.
2. Expand the PBGC Missing Participant Program.
3. ***Rollovers Between Qualified Retirement Plans and 403(b) tax-Sheltered Annuities.***
4. ***Rollovers of Contributions from Nonqualified Deferred Compensation Plans of State and Local Governments to IRAs.***
5. ***Rollovers of IRAs into Workplace Retirement Plans.***
6. ***Rollovers of After-tax Contributions.***
7. ***Purchase of Service Credits in Governmental Defined Benefit Plans.***
8. ***Allow Thrift Savings Plan to Accept Tax-Free Rollovers from Private Plans.***
9. Allow for Immediate Participation in Thrift Savings Plan for new Employees.
10.* ***Require Immediate Matching of Thrift Savings Plan Employee Contributions. ****

D. Expand pension right-to-know provisions

1. Periodic Benefit Statements.
2. Disclosure of Survivor Benefit Options to Spouses Prior to Waiver.

E. Increase Retirement Security and Simplification

1. Strengthen the Audit and Enforcement System for Private Pensions and Employee Benefits.
2 Increase the PBGC Guarantee for Multiemployer Plans.
3. Simplify the PBGC Guarantee and Allocation Rules for Owner-Employees.
4. Modify Safe Harbor Nondiscrimination Tests.
5. Simplify Definition of Highly Compensated Employee.
6. Simplify Benefit Limits for Multiemployer Plans under Section 415.
7. Simplify Full Funding Limitation For Multiemployer Plans.
8. Eliminate Partial Termination Rules for Multiemployer Plans.

III. DISCUSSION OF OPEN ISSUES

A. Reduce PBGC Premium for New Larger Business Plans

PBGC is greatly concerned about the lack of new defined benefit plans. PBGC believes that: (1) as new businesses are formed, too few employees are getting the advantages of predictable, secure benefits for life, as available through defined benefit plans; and (2) defined contribution plans -- like 401(k) plans -- provide a valuable supplement to, but not a replacement for, the advantages of defined benefit plans. Encouraging new defined benefit plans was the rationale for the Administration's proposal last year to create a small business simplified defined benefit-type plan (the "SMART" plan).

For this same reason, PBGC also proposed to reduce PBGC premiums for start-up plans. Under current law, PBGC charges each covered defined benefit plan an annual premium of $19 per participant plus a variable rate premium (or "risk premium") of $9 per $1,000 of under-funding. The variable rate premium is often mentioned as one of the factors that influences a company's determination of whether to offer a defined benefit plan. During the first few years of a plan, past service credit can create a large initial liability, resulting in plan under-funding and high variable rate premiums.

To encourage formation of new defined benefit plans among small employers (where the decrease in plans has been greatest), PBGC proposed to lower the premium to $5 per participant (and eliminate the variable rate premium) for any year in the first five years of the plan in which the employer had 100 or fewer employees. ***There is no disagreement about this aspect of the PBGC proposal.*** In addition, to encourage formation of new defined benefit plans among larger employers, PBGC proposed to phase in the variable rate premium at 20% per year over the first five years (leaving the flat rate premium unchanged) for large firms. (For budget purposes, this proposal would cost less than $500,000 per year.) ***OMB staff oppose this aspect of the PBGC proposal.***
In general, OMB staff argue that the proposal is inconsistent with past Administration efforts to strengthen adequacy of pension plan financing, because it would, in OMB's view, undermine the Administration's achievements in promoting the full funding of pension plans. Specifically,

OMB argues:

- The PBGC plan would benefit large plans only if they are under-funded at inception. (Some are not.) An under-funded plan risks default, takeover by PBGC, and lower benefits to retirees even with the PBGC insurance.

- The Administration has succeeded legislatively in making PBGC's premium much more truly risk-based. The Administration removed the prior cap on risk premium payments for severely under-funded plans. As a result, premium costs now better reflect of the true risk that companies default on their pension promises and better reflect pension insurance's true cost.

- The Administration has succeeded in enacting legislation that tightens up pension funding requirements and that requires employers to notify workers when their pension plans are under-funded.

- The Administration has fought off a legislative attempt to allow employers to shift assets out of over-funded plans (pension asset reversions). We must continue to resist any efforts that would weaken plan funding even if plans are currently sound.

- The proposal may set an unfortunate precedent for giving premium breaks to a much wider range of companies that have not funded their pension promises fully. What is to stop struggling companies with established plans from seeking the same premium reductions that companies with new plans would enjoy? Employer groups have supported cutting back risk premiums in general.

- The proposal is not based on actuarial data. Under it, some companies with under-funded pension plans would in effect, be cross-subsidized unfairly by fully-funded companies -- companies that play by the rules.

PBGC believes that the benefits of encouraging new plan start-up far outweigh the hypothetical concerns raised by OMB. Specifically, PBGC argues:

- Pension plans do not pose significant risks to PBGC in their first five years. Moreover, the funding rules were never intended to get plans funded up over five years. PBGC does have significant concern about mature, chronically under-funded plans. However, in both the 1987 and 1994 legislation strengthening the funding rules, they focused on a 15-year horizon to get these mature, chronically-under-funded plans fully funded. All of PBGC's major insurance claims have come from well-established, chronically under-funded plans, not from new plans. (PBGC's guarantee is phased in--0% for the first year, 20% for the second year, etc.--so we have far less exposure to claims from new plans.)

- PBGC's actuaries are convinced that this proposal creates no additional risk to the PBGC. The proposal in no way impacts the current law requiring the funding of the plan; the proposal only limits the premiums paid to the PBGC in years in which it faces virtually no real risk.

- Finally, PBGC's legislative staff are confident that this proposal--which already is included in pending legislation--in no way opens the door to Congress questioning the variable rate premium for the chronically under-funded. If it does anything, it removes an issue that, if not dealt with, could cause sympathy for taking another look at the variable rate premium. PBGC being reasonable on a minor issue is a plus not a minus.

Commerce, DoL, and Treasury tax policy staff support the PBGC proposal. CEA also favors the proposed gradual 5-year phase-in of PBGC's variable rate premium for new plans at large firms, as a way of encouraging new plan formation with prior-service credits -- both of which would be good things for workers. While CEA strongly supports risk-based premiums and oppose underfunding, they are persuaded that new plans at large firms that provide credits for prior service are a special case warranting a limited exception to these principles. It does not seem that PBGC would be taking on much risk in this type of case.

OPTION: **1. INCLUDE PHASE-IN OF PBGC RISK PREMIUMS FOR LARGE EMPLOYER PLAN START-UPS IN ADMINISTRATION 1999 PENSION PACKAGE**

2. OMIT SAME FROM ADMINISTRATION 1999 PACKAGE

B. Require Immediate Matching of Thrift Savings Plan Employee Contributions

Last year, the Administration supported allowing new federal employees to participate immediately in the Thrift Savings Plan (TSP); however, last year's proposal would not have changed the date at which agency contributions begin. Under current law, employees can sign up to contribute only during two semi-annual election periods and newly hired employees can only participate in the second election period after being hired. Agency automatic and matching contributions begin at this time. The average waiting time for participation and the beginning of agency contributions is nine months. By allowing immediate participation, the Administration would set an example for private sector employers.

The working group has considered whether, this year, the Administration also should propose immediate <u>agency</u> contributions to employee TSP accounts, in addition to immediate employee participation. There would be no additional budget cost from this proposal, but the cost would be felt by individual agencies in marginally diminished resources for administrative and personnel costs. Each agency's S&E budget would have to cover a somewhat greater cost per new employee than before -- as much as 4% per employee for nine months. OMB estimates that the annual costs for <u>all</u> federal employees would be on the order of $50 million non-Postal, $30

million Postal. ***This is substantially less than one-tenth of one percent of salary and expenses.***

OMB and **OPM** support this proposal, as do **DoL** and **PBGC**. **CEA** strongly supports immediate matching to encourage savings and set an example for other employers. They believe it would be an attraction in recruiting agency staff. **Treasury** tax policy supports the proposal as a matter of pension policy, but Treasury management objects to its inclusion after completion of their FY 2000 S&E budget. The proposal would increase personnel costs for Customs and the IRS by an amount they feel is significant. Thus, they ask that we propose that immediate participation and agency matching begin in 2001 and we have agreed.

While ***the working group is unanimous in support of this policy proposal***, some people have suggested that raising benefit levels for public employees might be controversial and raising benefit costs for agencies might limit their flexibility, so we thought it important that you be aware of the advantages and disadvantages.

The advantages can be summarized as:

- TSP officials think that it would easier to administer if both employee and agency contributions are allowed to start at the same time, as under current law.
- The proposal would increase retirement savings for new federal employees.
- The proposal would allow the federal government to continue to serve as a role model for employers in providing pension benefits to their employees.

The disadvantages, however, include:

- Potential political fall-out from raising benefits for federal employees rather than providing tax cuts or other benefits for "average" Americans.
- The proposal imposes an additional benefit obligation on agencies, thereby reducing their budgetary flexibility.

OPTION: **1. INCLUDE IMMEDIATE AGENCY TSP CONTRIBUTIONS IN ADMINISTRATION 1999 PENSION PACKAGE TO BEGIN FY 2001**

2. OMIT SAME FROM ADMINISTRATION 1999 PACKAGE

C. ELIMINATE USER FEES FOR INITIAL DETERMINATION LETTERS FOR SMALL BUSINESSES ADOPTING A QUALIFIED RETIREMENT PLAN FOR THE FIRST TIME.

The IRS is statutorily required to impose user fees on those who apply for IRS approval of retirement plans and plan amendments. Treasury initially proposed that we eliminate this

requirement for a small business that had never had a tax-qualified retirement plan. Elimination of the requirement would be available to employers that did not employ, in the preceding year, more than 100 employees with compensation in excess of $5,000. The plan would have to cover at least two individuals.

Over five years, this would cost the taxpayers only $14 million, while providing a nice signal to small businesses that we want to encourage small business plan formation. Coupled with the reduction in PBGC premiums for small plans, this proposal adds balance to the new elements of our legislation which are predominantly portability provisions coming from Rep. Pomeroy's bill. With these, we can say the new proposals both increase portability and expand coverage.

However, the IRS is proposing to take administrative steps next month to increase the fees it charges for installment agreements. (Installment agreements are agreements with taxpayers with tax liabilities that they cannot repay at once.) Treasury (John Talisman) is concerned about the optics: raising the cost of paying taxes on those who are least able to do so, while we are lowering costs of dealing with the IRS for businesses. Treasury staff hope to dissuade the IRS from the installment plan fee increases. If they are able to do so within the next few days, then Tax Policy will agree with the unanimous recommendation of the working group that we should include the small business fee waiver provision in the Administration's pension package.

APPENDIX

SECTION-BY-SECTION DESCRIPTION OF THE PRESIDENT'S 1999 PENSION LEGISLATION

A. Expand private pension plan coverage

1. SMART Plan -- A Simplified Pension Plan for Small Business. Small employers would be allowed to adopt a new simplified, tax-favored pension plan that provides participants with a minimum guaranteed benefit at retirement. The plan provides the option for payments over the course of the employee's retirement years, and PBGC insurance, together with the potential for additional benefits from favorable investment return and the portability of individual accounts. The SMART plan would provide a fully funded minimum defined benefit, with a possible higher benefit if cumulative investment returns exceed 5 percent. Under the SMART plan, for each year of participation the employee would earn a minimum annual benefit at retirement equal to 1 or 2 percent of compensation for that year. The employer could elect, for each of the first 5 years the SMART plan is in place, to provide all employees with a benefit equal to 3 percent of compensation (in lieu of 1 or 2 percent of compensation). Funding would be provided through a SMART plan individual retirement annuity issued by an insurance company or through a SMART trust that invests in registered securities. Each year the employer would be required to invest an amount sufficient to provide the benefit accrued that year under actuarial assumptions specified by statute, including a 5 percent interest rate. If the cumulative investment return is less than 5 percent, the employer would make up the shortfall. If the cumulative return exceeds 5 percent, the employee would be entitled to the larger amount. Generally, the employee would not receive distributions until age 65. *(Five-year tax revenue loss: $313 million. PBGC costs less than $500,000 per year.)*

2. Small Business Tax Credit for Retirement Plan Start-up Administrative and Educational Expenses. To encourage the adoption of new plans, provide a three-year tax credit, in lieu of a deduction, for 50 percent of the administrative and retirement-education expenses for any small business that adopts a new qualified retirement plan, SIMPLE, SEP, or payroll deduction IRA arrangement. The credit would cover 50 percent of the first $2,000 in administrative and retirement-education expenses for the first year and 50 percent of the first $1,000 of the these expenses for the second and third years. The credit would be available to employers that did not employ, in the preceding year, more than 100 employees with compensation in excess of $5,000, but only if the employer did not have a plan or payroll deduction IRA arrangement during any part of the year prior to enactment. The plan would have to cover at least 2 individuals. *(Five-year tax revenue loss: $520 million)*

3. Expanded Access to Payroll Deduction for Retirement Saving. Employers would be encouraged to offer employees payroll deduction contributions to IRAs. Contributions of up to $2,000 to an IRA through payroll deduction generally would be excluded from an employee's income, and, accordingly, would not be reported as income on the employee's Form W-2. Some employees would be able to use simpler tax forms. Like regular IRA contributions, the amounts would be subject to social security taxes. They would be reported as a contribution to an IRA on

the employee's Form W-2. In the event the amounts would not have been deductible had the employee contributed directly to an IRA, the employee would be required to include the amounts in income on the employee's tax return. *(Not considered necessary to score.)*

4. Eliminate User Fees for Initial Determination Letters for Small Businesses Adopting a Qualified Retirement Plan for the First Time. The IRS is statutorily required to impose user fees on those who apply for IRS approval of retirement plans and plan amendments. Under the proposal, this requirement would be eliminated for a small business that had never had a tax-qualified retirement plan. Elimination of the requirement would be available to employers that did not employ, in the preceding year, more than 100 employees with compensation in excess of $5,000. The plan would have to cover at least 2 individuals. *(Five-year cost: $14 million.)*

5. Reduced PBGC Premium for New Small Business Plans. The PBGC charges each covered defined benefit plan an annual premium of $19 per participant plus a variable rate premium of $9 per $1,000 of under-funding. To encourage formation of new defined benefit plans among small employers (where the decrease in defined benefit plans has been greatest), the proposal would lower the premium to $5 per participant (and eliminate the variable rate premium) for any year in the first five years of the plan in which the employer had 100 or fewer employees. *(Less than $500,000 per year.)*

6. Reduced PBGC Premium for New Larger Business Plans. The PBGC charges each covered defined benefit plan an annual premium of $19 per participant plus a variable rate premium of $9 per $1,000 of under-funding. To encourage formation of new defined benefit plans among larger employers, the flat rate premium would remain unchanged, but the variable rate premium would be phased in at 20% per year (0% for the first year, 20% for the second year, etc.). *(Less than $500,000 per year.)*

B. Women's Retirement Security

1. Count Leave under FMLA for Vesting and Eligibility Purposes. Workers who take time off under the Family and Medical Leave Act (FMLA) could count that time toward retirement plan vesting and eligibility to participate. Under FMLA, eligible workers are entitled to up to 12 weeks of unpaid leave to care for a new child, to care for a family member who has a serious health condition, or because the worker has a serious health condition. *(Negligible revenue effect.)*

2. Require Pension Plans to Offer a 75 Percent Survivor Annuity. Current law requires certain pension plans to offer to pay pension benefits as a joint and survivor annuity; frequently, the benefit for an employee's surviving spouse is reduced to 50 percent of the monthly benefit paid when both spouses were alive. Under the proposal, plans that are subject to the joint and survivor annuity rules would have to offer an option that pays a survivor benefit equal to at least 75 percent of the benefit the couple received while both were alive. *(Five-year tax revenue loss: $7 million.)*

C. Enhance Pension Portability

1. Faster Vesting of Employer Matching Contributions. Employer matching contributions

under 401(k) plans (or other qualified plans) would be required either to be fully vested after an employee has completed three years of service, or to become vested in increments of 20 percent for each year beginning after the employee has completed two years of service, with full vesting after the employee has completed six years of service. *(Negligible revenue effect.)*

2. <u>Expand the PBGC Missing Participant Program</u>. The Retirement Protection Act of 1994 established a missing participant program at the PBGC for terminating defined benefit plans. If a participant in a single-employer defined benefit plan covered by the PBGC is missing when the plan terminated, the plan can either send PBGC the missing participant's benefit or tell the PBGC what insurance company is holding the benefit. PBGC will search for the missing participant as part of its existing program, and when the participant is found, pay the benefit or send the missing participant to the insurance company. The proposal would expand the program to include terminating multiemployer plans, terminating non-PBGC-covered defined benefit plans, and terminating defined contribution plans so that employers would have a simple means of providing the benefits and participants would know where to look for their benefits. *(Less than $500,000 per year.)*

3. <u>Permit Rollovers Between Qualified Retirement Plans and 403(b) Tax-Sheltered Annuities.</u> Under current law, rollovers are not allowed between qualified retirement plans and Section 403(b) tax-sheltered annuities. Under the proposal, eligible rollover distributions from a qualified retirement plan could be rolled over to another qualified retirement plan, a Section 403(b) tax-sheltered annuity, or a conduit IRA. Likewise, eligible rollover distributions from a Section 403(b) tax-sheltered annuity could be rolled over to the same array of plans and conduit IRAs. Thus, an eligible rollover distribution from a Section 401(k) plan could be rolled over to a Section 403(b) tax-sheltered annuity and vice versa. *(Negligible revenue effect.)*

4. <u>Rollovers of Contributions from Nonqualified Deferred Compensation Plans of State and Local Governments to IRAs</u>. Generally, amounts held under qualified retirement plans or section 403(b) tax-sheltered annuity plans may be rolled over to an IRA. However, under current law, amounts held under nonqualified deferred compensation plans of state or local governments (that is, governmental 457 plans) may not be rolled over into an IRA and are taxable upon distribution. The proposal would allow individuals to roll over the money they have saved in a governmental 457 plan to an IRA. *(Negligible revenue effect.)*

5. <u>Rollovers of IRAs into Workplace Retirement Plans</u>. Under current law, individuals may only roll over amounts in "conduit" IRAs (that is, IRAs containing only amounts rolled over from workplace retirement plans) into their qualified retirement plans or section 403(b) tax-sheltered annuities. Under the proposal, individuals who have IRAs and whose IRA contributions have all been tax deductible will also be offered the opportunity to roll over funds from their IRAs into their qualified defined contribution retirement plan or 403(b) plan-- provided that the retirement plan trustee meets the same high standards as an IRA trustee. Individuals would be allowed to consolidate their IRA funds and their workplace retirement savings in a single place. *(Negligible revenue effect.)*

6. <u>Rollovers of After-tax Contributions</u>. While pre-tax contributions to retirement plans are

perhaps the most common form of employee contribution, some plans also allow participants to make after-tax contributions. Under current law, these after-tax contributions cannot be rolled over when employees switch jobs. The proposal would allow individuals to roll over their after-tax contributions to their new employer's defined contribution plan or to an IRA if the receiving plan or IRA provider agrees to track and report the after-tax portion of the rollover for the individual. *(Negligible revenue effect.)*

7. <u>Purchase of Service Credits in Governmental Defined Benefit Plans</u>. Employees of state and local governments, particularly teachers, often move between states and school districts in the course of their careers. Under state law, these employees often have the option of purchasing service credits in their state defined benefit pension plans in order to make up for time spent in another state or district. With purchase of these service credits, workers can earn a pension reflecting a full career of employment in the state in which they conclude their career. Under current law, these employees are not able to make a tax-free transfer of the money they have saved in their 403(b) plan or governmental 457 plan to purchase these service credits and often lack other resources to use for this purpose. Under the proposal, state and local government employees will be able to use funds from these retirement savings plans to purchase service credits through a direct transfer without first having to take a taxable distribution of these amounts. *(Negligible revenue effect.)*

8. <u>Allow Thrift Savings Plan to Accept Tax-Free Rollovers from Private Plans.</u> Under current law, rollover contributions from a qualified trust may not be made to a FERS Thrift Savings Plan (TSP) account for Federal government employees. Under the proposal, an employee would be allowed to roll over an "eligible rollover distribution" from a qualified trust sponsored by a previous employer to the employee's TSP account. *(Negligible revenue effect.)*

9. <u>Allow for Immediate Participation in Thrift Savings Plan for new Employees.</u> Under current law, employees can sign-up to contribute to TSP only during two semi-annual election periods and newly hired employees can only participate in the second election period after being hired. As a result, the average waiting time for participation is 9 months. This proposal would set an example for private sector employers by permitting federal employees to contribute to TSP when they first begin work. *(Five-year revenue loss: $14 million.)*

10. <u>Require Immediate Matching of Thrift Savings Plan Employee Contributions</u>. Last year, the Administration supported allowing new federal employees to participate immediately in the Thrift Savings Plan (TSP); however, last year's proposal would not have changed the date at which agency contributions begin. Under current law, employees can sign up to contribute only during two semi-annual election periods and newly hired employees can only participate in the second election period after being hired. Agency automatic and matching contributions begin at this time. The average waiting time for participation and the beginning of agency contributions is nine months. This year, the Administration also proposes immediate <u>agency</u> contributions to employee TSP accounts, in addition to immediate employee participation. *(No budget cost. Absorbed in agency S&E accounts.)*

D. <u>Pension Right-to-Know Proposals</u>

1. Periodic Benefit Statements. Savings could be enhanced if plan participants were more aware of pension benefits and their growth. Rules could be changed to require defined contribution plans to provide annual statements of account balances to participants. Similarly, defined benefit pension plans could be required to provide statements of estimated annual pension benefits to participants. Because the calculation of the exact defined benefit pension plan annual retirement payment is often dependent on factors determined at retirement, the statement to participants in defined benefit plans would be required to be a reasonable estimate of future benefits provided every three years. *(No revenue effect.)*

2. Disclosure of survivor benefit options to spouses prior to waiver. Certain pension plans must provide benefits in a joint and survivor annuity form unless the non-participant spouse waives the benefit. Disclosing the right to, and amount of, the survivor's benefit to the nonparticipant spouse helps ensure that the nonparticipant's waiver of the survivor benefit is an informed choice. The pension rules could be changed to require that a copy of a participant's explanation of benefits be provide to the participant's spouse when it is provided to the participant. *(No revenue effect)*

E. Increase Retirement Security and Simplification

1. Strengthen the Audit and Enforcement System for Private Pensions and Employee Benefits. The audit reform proposals are designed to strengthen audits for all employee benefit plans. The legislation would address the circumstances under which plan sponsors could limit the scope of an audit. The ERISA definition of "qualified public accountant" would be modified to include requirements to ensure the quality of plan audits. These proposals would require a plan administrator to notify the Secretary of Labor withing five (5) business days whenever the administrator has determined that there is evidence that an irregularity may have occurred with respect to the plan, or has received notice from the accountant that the accountant has similarly determined that there is evidence that an irregularity may have occurred. The administrator also would be required to furnish a copy of such notification to the accountant engaged to audit the plan's financial statements. The Secretary of Labor would be given discretion to determine circumstances under which a penalty for a breach of fiduciary responsibility would be assessed. *(Less than $500,000 per year.)*

2. Increase the PBGC Guarantee for Multiemployer Plans. The PBGC guarantees benefits of workers in multiemployer plans. If a multiemployer plan requires PBGC financial assistance, the maximum benefit that the PBGC will guarantee is equal to the participant's years of service multiplied by the sum of (I) 100 percent of the first $5 of the monthly benefit accrual rate, and (ii) 75 percent of the next $15 of the accrual rate. The guarantee has not been increased since 1980. The proposal would adjust the guarantee amounts to 100 percent of the first $11, and 75 percent of the next $33. This would increase the monthly guarantee for a worker with 30 years of service from $5,850 to $12,870. *(Increases outlays by $9 million over 5 years.)*

3. Simplify the PBGC Guarantee and Allocation Rules for Owner-Employees. If a defined benefit plan of a substantial owner (i.e., with an ownership interest exceeding 10%) terminates, the

PBGC guarantee for the substantial owner's benefit is severely limited. There are also special, complicated rules as to how the plan's assets are allocated to substantial owners' benefits. The proposal would simplify the guarantee and allocation rules. All owners other than majority owners (i.e., with an ownership interest of 50% or more) would be treated the same as other participants. Majority owners would have special rules, but vastly simplified. *(Less than $500,000 per year.)*

4. Modify Safe Harbor Nondiscrimination Tests. To increase retirement benefits for low and moderate income workers, the section 401(k) matching formula safe harbor would be modified by requiring that, in addition to the matching contribution, employers would make a contribution of one percent of compensation for each eligible non-highly compensated employee, regardless of whether the employee makes elective contributions. *(Five-year tax revenue loss: $93 million).*

5. Simplify Definition of Highly Compensated Employee. The top-paid group election would be eliminated from the definition of highly compensated employee. Under the new definition, an employee would be treated as a highly compensated employee if the employee (1) was a five-percent owner of the employer at any time during the year or the preceding year, or (2) for the preceding year, had compensation in excess of $80,000 (indexed for inflation). *(Five-year revenue loss: $7 million)*

6. Simplify Benefit Limits for Multiemployer Plans under Section 415. The section 415 limits applicable to multiemployer plans would be modified to eliminate the 100 percent-of-compensation limit (but not the $130,000 limit) for such plans, and to exempt certain survivor and disability benefits from the adjustments for early commencement and for participation and service of less than 10 years. This would be comparable to the changes made to the section 415 limits for governmental plans in the Small Business Job Protection Act of 1996. *(Five-year tax revenue loss: $32 million)*

7. Simplify Full Funding Limitation For Multiemployer Plans. The limit on deductible contributions based on a specified percentage of current liability would be eliminated for multiemployer plans. Therefore, the annual deduction for contributions to such a plan would be limited to the amount by which the plan's accrued liability exceeds the value of the plan's assets. In addition, actuarial valuations would be required under the Code no less frequently than every three years for multiemployer plans. Parallel changes would be made to ERISA. *(Five-year revenue loss: $32 million)*

8. Eliminate Partial Termination Rules for Multiemployer Plans. The requirement that affected participants become 100 percent vested in their accrued benefits (to the extent funded) upon the partial termination of a qualified employer retirement plan would be repealed with respect to multiemployer plans. Applying the partial termination rules can often be difficult and uncertain for multiemployer plans. Frequently participants do not suffer the interruption of their progress along the plan's vesting schedule that ordinarily occurs when an employee stops being covered by a plan. Given these factors, the difficulties associated with applying the partial termination rules to multiemployer plans outweigh the benefits. *(Negligible revenue effect.)*

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Barbara D. Woolley (CN=Barbara D. Woolley/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 3-FEB-1999 18:26:54.00

SUBJECT: Pension Event

TO: Ilia V. Velez (CN=Ilia V. Velez/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Cheryl M. Carter (CN=Cheryl M. Carter/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
Can you help me? Dan Taylor has your name.
---------------------- Forwarded by Barbara D. Woolley/WHO/EOP on 02/03/99
06:24 PM ---------------------------

Pieter J. Boelhouwer @ OVP
02/03/99 05:50:29 PM
Record Type: Record

To: Barbara D. Woolley/WHO/EOP
cc:
Subject: Pension Event

The VP will be doing a pension event on Feb 10th or 11th which contains a SS message as well. Attached is a draft description of the event. Any chance you can help us put together the audience for the event? Please call either me at 6-6265 or Dan Taylor at 6-9024. thanks

Pensions Event

DC Location options: Roosevelt Room (most likely)
Small business (may be family medical leave act
problems)

Audience: AARP
Small business owners/reps
Pension Advocacy groups

Speakers

Secretary/Congressman/PBGC - Small businesses are engine of growth; importance of increasing coverage;

increasing concentration of women/minorities in small businesses retirement security; need for portability

Small business -- workers are most valuable asset. In today's market, need and want to provide workers with retirement security

Secretary/PBGC?Congressman -- talking about changing labor patterns -- people switch jobs more often;

Woman --55: switched jobs often; took time off to take care of husband; she is relying upon SS and her pension: portability and family medical leave extension would benefit her ,

VP announcement: Since most of this material was either introduced last year or has been gleaned from the budget, we need to put this issue in a larger context. A sketchy outline would be: Our first priority is to save social security -- but there are three legs to the retirement system -- social security, private pensions, and personal savings -- and we must simultaneously work to strengthen this important second leg as well. (The President's USA accounts can be seen as addressing the 3rd leg.) To do so, we must make it easier for small businesses to start pension plans and expand coverage, make it easier to individuals to take their pensions with them as they change jobs (in an increasingly mobile workforce), pay special attention to the needs of women who live longer yet have far less pension protection then men, enhance individual knowledge of pension plan provisions through "Pension right-to-know" provisions, and increase the security of pension plans through various administrative provisions. Additionally, extend the Family and medical leave act to credit time taken off for vesting qualifications.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Pieter J. Boelhouwer (CN=Pieter J. Boelhouwer/O=OVP [UNKNOWN])

CREATION DATE/TIME: 3-FEB-1999 18:52:12.00

SUBJECT: Pension

TO: Charles M. Brain (CN=Charles M. Brain/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
The vP is planning a pension announcement for Feb 10th. I understand their are important politics to be considered as we think through the event regarding the House Ways and Means Committe and Rep. Pomeroy. Our current thinking on the event -- absent your input is listed below. Please give me a call tomorrow to discuss -- I will be leaving tomorrow afternoon and will not be back until the 9th. thanks

Pensions Event

DC Location options: Roosevelt Room (most likely)
Small business (may be family medical leave act problems)

Audience: AARP
Small business owners/reps
Pension Advocacy groups

Speakers

Secretary/Congressman/PBGC - Small businesses are engine of growth; importance of increasing coverage; increasing concentration of women/minorities in small businesses retirement security; need for portability

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-- social security, private pensions, and personal savings -- and we must simultaneously work to strengthen this important second leg as well. (The President's USA accounts can be seen as addressing the 3rd leg.) To do so, we must make it easier for small businesses to start pension plans and expand coverage, make it easier to individuals to take their pensions with them as they change jobs (in an increasingly mobile workforce), pay special attention to the needs of women who live longer yet have far less pension protection then men, enhance individual knowledge of pension plan provisions through "Pension right-to-know" provisions, and increase the security of pension plans through various administrative provisions. Additionally, extend the Family and medical leave act to credit time taken off for vesting qualifications.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Alejandro G. Cabrera (CN=Alejandro G. Cabrera/O=OVP [UNKNOWN])

CREATION DATE/TIME: 5-FEB-1999 09:58:54.00

SUBJECT: Re: it's friday and Jano actually has time!

TO: Joseph C. Fanaroff (CN=Joseph C. Fanaroff/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
SATURDAY:
he's down with it.

SUNDAY:
he attends a wintergreen afl-cio conf. but it's closed press and it's not really deliverable sort of thing, you know what I'm saying?

MONDAY:
what can I say? the man wants to rest

TUESDAY:
and when I say rest. i mean rest.

WEDNESDAY:
Message Event TBD (probably education)
Assuming it happens, The Vice President will announce new data from the biennial National Assessment of Educational Progress describing national and state-by-state reading performance as a way to highlight the need to step-up our efforts on education by enacting the Clinton-Gore plans on smaller classes, modern schools, reading, and accountability.

THURSDAY:
The Vice President will announce the Clinton-Gore Administration's intent to call for new legislation that would: 1) make it easier for small businesses to start pension plans and expand coverage; 2) make it easier to individuals to take their pensions with them as they change jobs (in an increasingly mobile workforce); 3) pay special attention to the needs of women who live longer yet have far less pension protection then men; 4) enhance individual knowledge of pension plan provisions through "Pension right-to-know" provisions; 5) increase the security of pension plans through various administrative provisions; 6) extend the Family and Medical Leave Act to credit time taken off for vesting qualifications.

FRIDAY:
The Vice President will travel to NY and hold a long-term care forum in Albany, New York and announce a change in the Substantial Gainful Activity -- which is essentially the amount your can earn before you lose disability benefits.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Dan J. Taylor (CN=Dan J. Taylor/O=OVP [UNKNOWN])

CREATION DATE/TIME: 8-FEB-1999 16:28:05.00

SUBJECT: pensions

TO: Jackson T. Dunn (CN=Jackson T. Dunn/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
---------------------- Forwarded by Dan J. Taylor/OVP on 02/08/99 04:28 PM

Pieter J. Boelhouwer
01/28/99 09:38:46 AM
Record Type: Record

To: Dan J. Taylor/OVP
cc:
Subject: pensions

---------------------- Forwarded by Pieter J. Boelhouwer/OVP on 01/28/99
09:37 AM ---------------------------

Sarah Rosen @ EOP
01/28/99 09:15:47 AM
Record Type: Record

To: Pieter J. Boelhouwer/OVP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Re: Pension package announcement on 2/10

We have a package of legislation (see memo attached -- all outstanding issues have been resolved since this was written) that includes much from previous years but some significant new provisions. The new provisions are in two areas: increasing pension portability and expanding private pension plan coverage, especially for small businesses. In addition, there are two provisions that potus announced last year but we never sent to the hill on women's retirement security. The portability provisions were largely authored by Rep. Pomeroy and we will need to find a role for him in the event. However, members of the Ways and Means and Finance Committee got mad at us last year for giving him too much prominence when they do the work, so leg affairs (Chuck Brain) will need to be consulted about how to best deal with members for the event.

In addition, Treasury Secretary Rubin, Secretary Herman, and PBGC Director David Strauss should probably be invited because their agencies administer the provisions in this bill.

In general, I think the message is that our first priority is to save social security -- but there are three legs to the retirement system -- social security, private pensions, and personal savings -- and we must simultaneously work to strengthen this important second leg as well. (The PResident's USA accounts can be seen as addressing the 3rd leg.) To do so, we must make it easier for small businesses to start pension plans and expand coverage, make it easier to individuals to take their pensions with them as they change jobs (in an increasingly mobile workforce), pay special attention to the needs of women who live longer yet have far less pension protection then men, enhance individual knowledge of pension plan provisions through "Pension right-to-know" provisions, and increase the security of pension plans through various administrative provisions.

Note that Treasury does not plan to have bill language completed for the event. They want to wait and send it with a whole tax bill if we do one. If the VP feels differently, we need to talk to them ASAP. However, we have done this before so I don't see it as a problem.

We are working on hand-outs and other materials for the event. Let me know if you have further questions.

Pieter J. Boelhouwer @ OVP
01/28/99 08:22:23 AM
Record Type: Record

To: Sarah Rosen/OPD/EOP
cc:
Subject: Pension package announcement on 2/10

I thought it would be helpful to touch base about the pension announcement which we have scheduled for the VP on the 10th. Before we recreate the wheel, I was wondering if you had thoughts on overall message, type of event, place, etc. When you get a moment, please give me a call on 6-6265. Thanks

Message Copied
To:
Jonathan Orszag/OPD/EOP @ EOP
Jonathan A. Kaplan/OPD/EOP @ EOP

Jake Siewert/OPD/EOP @ EOP
Sally Katzen/OPD/EOP @ EOP
Charles M. Brain/WHO/EOP @ EOP

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

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D62]MAIL481176243.036 to ASCII,
The following is a HEX DUMP:

January 25, 1999

MEMORANDUM TO NEC DEPUTIES

FROM: **Sarah Rosen for THE PENSIONS WORKING GROUP**

RE: **FY 2000 PENSION LEGISLATION -- SUMMARY AND OUTSTANDING ISSUES**

I. OVERVIEW

The Pensions Working Group has reached agreement on all but one element of a package of legislation for FY 2000. The proposed table of contents for the package is shown on the following page. Each of the items in the package is summarized in greater detail in the Appendix. As you can see, the package includes the prior year's legislation. The new proposals include significant new provisions to expand pension portability and new incentives for the creation of new plans. The legislation also includes two Women's Retirement Security provisions that have never before been a part of Administration legislation, although the President did propose these provisions at an event last fall.

There is one open issues for which we need guidance from the Deputies. In addition, we want you to be aware of the consequences of another of the new proposals. Finally, there is one item that may or may not be included in the package depending upon the result of internal Treasury deliberations. We wanted you to be aware of that issue so that, if the discussions are resolved satisfactorily in the next few days, it can be included without further clearance. These issues are discussed in this memorandum, following the table of contents. We hope to resolve these issues without a Deputies meeting. **Deputies are asked to provide their views via staff to Sarah Rosen no later than close of business Tuesday, January 26, 1999.** If there are significant differences of opinion, NEC Deputy Director Sally Katzen will convene a conference call or meeting as necessary.

The components of this plan are mentioned at various places throughout the President's FY 2000 budget. The working group is preparing legislation that could be sent to Congress in February following the budget. The Administration might wish to have an event to unveil the proposal, designed not to confuse the message on Social Security. Senator Daschle's staff indicate that they already have dropped in a bill, essentially the same as the Democratic omnibus pensions bill from last year. (That bill included all of the provisions that were in previous Administration pension proposals, plus other items that the Administration did not support.) The Democratic leadership also plans to offer another bill, after our budget is released, that probably will include any new provisions from the Administration along with new provisions that we may or may not support from other members.

II. PRESIDENT CLINTON'S 1999 PENSION LEGISLATION

Notes: Items in ***bold and italics*** have never before been included in legislation sent to Congress by the Administration; however, the President did announce his support for the two provisions under "Women's Retirement Security" late last year. The three items discussed below are marked with an asterisk (*).

A. Expand Private Pension Plan Coverage

1. SMART Plan -- A Simplified Pension Plan for Small Business.
2. Small Business Tax Credit for Retirement Plan Start-up Administrative and Educational Expenses.
3. Expanded Access to Payroll Deduction for Retirement Saving.
4.* ***Eliminate User Fees for Initial Determination Letters for Small Businesses Adopting a Qualified Retirement Plan for the First Time.****
5. ***Reduce PBGC Premiums for New Small Business Plans.***
6.* ***Reduce PBGC Premium for New Larger Business Plans.****

B. Women's Retirement Security

1. ***Count Leave under FMLA for Vesting and Eligibility Purposes.***
2. ***Require Pension Plans to Offer a 75 Percent Survivor Annuity.***

C. Enhance Pension Portability

1. Faster Vesting of Employer Matching Contributions.
2. Expand the PBGC Missing Participant Program.
3. ***Rollovers Between Qualified Retirement Plans and 403(b) tax-Sheltered Annuities.***
4. ***Rollovers of Contributions from Nonqualified Deferred Compensation Plans of State and Local Governments to IRAs.***
5. ***Rollovers of IRAs into Workplace Retirement Plans.***
6. ***Rollovers of After-tax Contributions.***
7. ***Purchase of Service Credits in Governmental Defined Benefit Plans.***
8. ***Allow Thrift Savings Plan to Accept Tax-Free Rollovers from Private Plans.***
9. Allow for Immediate Participation in Thrift Savings Plan for new Employees.
10.* ***Require Immediate Matching of Thrift Savings Plan Employee Contributions.****

D. Expand pension right-to-know provisions

1. Periodic Benefit Statements.
2. Disclosure of Survivor Benefit Options to Spouses Prior to Waiver.

E. <u>Increase Retirement Security and Simplification</u>

1. Strengthen the Audit and Enforcement System for Private Pensions and Employee Benefits.
2 Increase the PBGC Guarantee for Multiemployer Plans.
3. Simplify the PBGC Guarantee and Allocation Rules for Owner-Employees.
4. Modify Safe Harbor Nondiscrimination Tests.
5. Simplify Definition of Highly Compensated Employee.
6. Simplify Benefit Limits for Multiemployer Plans under Section 415.
7. Simplify Full Funding Limitation For Multiemployer Plans.
8. Eliminate Partial Termination Rules for Multiemployer Plans.

III. DISCUSSION OF OPEN ISSUES

A. Reduce PBGC Premium for New Larger Business Plans

PBGC is greatly concerned about the lack of new defined benefit plans. PBGC believes that: (1) as new businesses are formed, too few employees are getting the advantages of predictable, secure benefits for life, as available through defined benefit plans; and (2) defined contribution plans -- like 401(k) plans -- provide a valuable supplement to, but not a replacement for, the advantages of defined benefit plans. Encouraging new defined benefit plans was the rationale for the Administration's proposal last year to create a small business simplified defined benefit-type plan (the "SMART" plan).

For this same reason, PBGC also proposed to reduce PBGC premiums for start-up plans. Under current law, PBGC charges each covered defined benefit plan an annual premium of $19 per participant plus a variable rate premium (or "risk premium") of $9 per $1,000 of under-funding. The variable rate premium is often mentioned as one of the factors that influences a company's determination of whether to offer a defined benefit plan. During the first few years of a plan, past service credit can create a large initial liability, resulting in plan under-funding and high variable rate premiums.

To encourage formation of new defined benefit plans among small employers (where the decrease in plans has been greatest), PBGC proposed to lower the premium to $5 per participant (and eliminate the variable rate premium) for any year in the first five years of the plan in which the employer had 100 or fewer employees. ***There is no disagreement about this aspect of the PBGC proposal.*** In addition, to encourage formation of new defined benefit plans among larger employers, PBGC proposed to phase in the variable rate premium at 20% per year over the first five years (leaving the flat rate premium unchanged) for large firms. (For budget purposes, this proposal would cost less than $500,000 per year.) ***OMB staff oppose this aspect of the PBGC proposal.***
In general, OMB staff argue that the proposal is inconsistent with past Administration efforts to strengthen adequacy of pension plan financing, because it would, in OMB's view, undermine the Administration's achievements in promoting the full funding of pension plans. Specifically,

OMB argues:

- The PBGC plan would benefit large plans only if they are under-funded at inception. (Some are not.) An under-funded plan risks default, takeover by PBGC, and lower benefits to retirees even with the PBGC insurance.

- The Administration has succeeded legislatively in making PBGC's premium much more truly risk-based. The Administration removed the prior cap on risk premium payments for severely under-funded plans. As a result, premium costs now better reflect of the true risk that companies default on their pension promises and better reflect pension insurance's true cost.

- The Administration has succeeded in enacting legislation that tightens up pension funding requirements and that requires employers to notify workers when their pension plans are under-funded.

- The Administration has fought off a legislative attempt to allow employers to shift assets out of over-funded plans (pension asset reversions). We must continue to resist any efforts that would weaken plan funding even if plans are currently sound.

- The proposal may set an unfortunate precedent for giving premium breaks to a much wider range of companies that have not funded their pension promises fully. What is to stop struggling companies with established plans from seeking the same premium reductions that companies with new plans would enjoy? Employer groups have supported cutting back risk premiums in general.

- The proposal is not based on actuarial data. Under it, some companies with under-funded pension plans would in effect, be cross-subsidized unfairly by fully-funded companies -- companies that play by the rules.

PBGC believes that the benefits of encouraging new plan start-up far outweigh the hypothetical concerns raised by OMB. Specifically, PBGC argues:

- Pension plans do not pose significant risks to PBGC in their first five years. Moreover, the funding rules were never intended to get plans funded up over five years. PBGC does have significant concern about mature, chronically under-funded plans. However, in both the 1987 and 1994 legislation strengthening the funding rules, they focused on a 15-year horizon to get these mature, chronically-under-funded plans fully funded. All of PBGC's major insurance claims have come from well-established, chronically under-funded plans, not from new plans. (PBGC's guarantee is phased in--0% for the first year, 20% for the second year, etc.--so we have far less exposure to claims from new plans.)

- PBGC's actuaries are convinced that this proposal creates no additional risk to the PBGC. The proposal in no way impacts the current law requiring the funding of the plan; the proposal only limits the premiums paid to the PBGC in years in which it faces virtually no real risk.

- Finally, PBGC's legislative staff are confident that this proposal--which already is included in pending legislation--in no way opens the door to Congress questioning the variable rate premium for the chronically under-funded. If it does anything, it removes an issue that, if not dealt with, could cause sympathy for taking another look at the variable rate premium. PBGC being reasonable on a minor issue is a plus not a minus.

Commerce, DoL, and Treasury tax policy staff support the PBGC proposal. CEA also favors the proposed gradual 5-year phase-in of PBGC's variable rate premium for new plans at large firms, as a way of encouraging new plan formation with prior-service credits -- both of which would be good things for workers. While CEA strongly supports risk-based premiums and oppose underfunding, they are persuaded that new plans at large firms that provide credits for prior service are a special case warranting a limited exception to these principles. It does not seem that PBGC would be taking on much risk in this type of case.

OPTION: **1. INCLUDE PHASE-IN OF PBGC RISK PREMIUMS FOR LARGE EMPLOYER PLAN START-UPS IN ADMINISTRATION 1999 PENSION PACKAGE**

2. OMIT SAME FROM ADMINISTRATION 1999 PACKAGE

B. Require Immediate Matching of Thrift Savings Plan Employee Contributions

Last year, the Administration supported allowing new federal employees to participate immediately in the Thrift Savings Plan (TSP); however, last year's proposal would not have changed the date at which agency contributions begin. Under current law, employees can sign up to contribute only during two semi-annual election periods and newly hired employees can only participate in the second election period after being hired. Agency automatic and matching contributions begin at this time. The average waiting time for participation and the beginning of agency contributions is nine months. By allowing immediate participation, the Administration would set an example for private sector employers.

The working group has considered whether, this year, the Administration also should propose immediate <u>agency</u> contributions to employee TSP accounts, in addition to immediate employee participation. There would be no additional budget cost from this proposal, but the cost would be felt by individual agencies in marginally diminished resources for administrative and personnel costs. Each agency's S&E budget would have to cover a somewhat greater cost per new employee than before -- as much as 4% per employee for nine months. OMB estimates that the annual costs for <u>all</u> federal employees would be on the order of $50 million non-Postal, $30

million Postal. ***This is substantially less than one-tenth of one percent of salary and expenses.***

OMB and **OPM** support this proposal, as do **DoL** and **PBGC**. **CEA** strongly supports immediate matching to encourage savings and set an example for other employers. They believe it would be an attraction in recruiting agency staff. **Treasury** tax policy supports the proposal as a matter of pension policy, but Treasury management objects to its inclusion after completion of their FY 2000 S&E budget. The proposal would increase personnel costs for Customs and the IRS by an amount they feel is significant. Thus, they ask that we propose that immediate participation and agency matching begin in 2001 and we have agreed.

While ***the working group is unanimous in support of this policy proposal***, some people have suggested that raising benefit levels for public employees might be controversial and raising benefit costs for agencies might limit their flexibility, so we thought it important that you be aware of the advantages and disadvantages.

The advantages can be summarized as:

- TSP officials think that it would easier to administer if both employee and agency contributions are allowed to start at the same time, as under current law.
- The proposal would increase retirement savings for new federal employees.
- The proposal would allow the federal government to continue to serve as a role model for employers in providing pension benefits to their employees.

The disadvantages, however, include:

- Potential political fall-out from raising benefits for federal employees rather than providing tax cuts or other benefits for "average" Americans.
- The proposal imposes an additional benefit obligation on agencies, thereby reducing their budgetary flexibility.

OPTION: **1. INCLUDE IMMEDIATE AGENCY TSP CONTRIBUTIONS IN ADMINISTRATION 1999 PENSION PACKAGE TO BEGIN FY 2001**

2. OMIT SAME FROM ADMINISTRATION 1999 PACKAGE

C. ELIMINATE USER FEES FOR INITIAL DETERMINATION LETTERS FOR SMALL BUSINESSES ADOPTING A QUALIFIED RETIREMENT PLAN FOR THE FIRST TIME.

The IRS is statutorily required to impose user fees on those who apply for IRS approval of retirement plans and plan amendments. Treasury initially proposed that we eliminate this

requirement for a small business that had never had a tax-qualified retirement plan. Elimination of the requirement would be available to employers that did not employ, in the preceding year, more than 100 employees with compensation in excess of $5,000. The plan would have to cover at least two individuals.

Over five years, this would cost the taxpayers only $14 million, while providing a nice signal to small businesses that we want to encourage small business plan formation. Coupled with the reduction in PBGC premiums for small plans, this proposal adds balance to the new elements of our legislation which are predominantly portability provisions coming from Rep. Pomeroy's bill. With these, we can say the new proposals both increase portability and expand coverage.

However, the IRS is proposing to take administrative steps next month to increase the fees it charges for installment agreements. (Installment agreements are agreements with taxpayers with tax liabilities that they cannot repay at once.) Treasury (John Talisman) is concerned about the optics: raising the cost of paying taxes on those who are least able to do so, while we are lowering costs of dealing with the IRS for businesses. Treasury staff hope to dissuade the IRS from the installment plan fee increases. If they are able to do so within the next few days, then Tax Policy will agree with the unanimous recommendation of the working group that we should include the small business fee waiver provision in the Administration's pension package.

APPENDIX

SECTION-BY-SECTION DESCRIPTION OF THE PRESIDENT'S 1999 PENSION LEGISLATION

A. Expand private pension plan coverage

1. SMART Plan -- A Simplified Pension Plan for Small Business. Small employers would be allowed to adopt a new simplified, tax-favored pension plan that provides participants with a minimum guaranteed benefit at retirement. The plan provides the option for payments over the course of the employee's retirement years, and PBGC insurance, together with the potential for additional benefits from favorable investment return and the portability of individual accounts. The SMART plan would provide a fully funded minimum defined benefit, with a possible higher benefit if cumulative investment returns exceed 5 percent. Under the SMART plan, for each year of participation the employee would earn a minimum annual benefit at retirement equal to 1 or 2 percent of compensation for that year. The employer could elect, for each of the first 5 years the SMART plan is in place, to provide all employees with a benefit equal to 3 percent of compensation (in lieu of 1 or 2 percent of compensation). Funding would be provided through a SMART plan individual retirement annuity issued by an insurance company or through a SMART trust that invests in registered securities. Each year the employer would be required to invest an amount sufficient to provide the benefit accrued that year under actuarial assumptions specified by statute, including a 5 percent interest rate. If the cumulative investment return is less than 5 percent, the employer would make up the shortfall. If the cumulative return exceeds 5 percent, the employee would be entitled to the larger amount. Generally, the employee would not receive distributions until age 65. *(Five-year tax revenue loss: $313 million. PBGC costs less than $500,000 per year.)*

2. Small Business Tax Credit for Retirement Plan Start-up Administrative and Educational Expenses. To encourage the adoption of new plans, provide a three-year tax credit, in lieu of a deduction, for 50 percent of the administrative and retirement-education expenses for any small business that adopts a new qualified retirement plan, SIMPLE, SEP, or payroll deduction IRA arrangement. The credit would cover 50 percent of the first $2,000 in administrative and retirement-education expenses for the first year and 50 percent of the first $1,000 of the these expenses for the second and third years. The credit would be available to employers that did not employ, in the preceding year, more than 100 employees with compensation in excess of $5,000, but only if the employer did not have a plan or payroll deduction IRA arrangement during any part of the year prior to enactment. The plan would have to cover at least 2 individuals. *(Five-year tax revenue loss: $520 million)*

3. Expanded Access to Payroll Deduction for Retirement Saving. Employers would be encouraged to offer employees payroll deduction contributions to IRAs. Contributions of up to $2,000 to an IRA through payroll deduction generally would be excluded from an employee's income, and, accordingly, would not be reported as income on the employee's Form W-2. Some employees would be able to use simpler tax forms. Like regular IRA contributions, the amounts would be subject to social security taxes. They would be reported as a contribution to an IRA on

the employee's Form W-2. In the event the amounts would not have been deductible had the employee contributed directly to an IRA, the employee would be required to include the amounts in income on the employee's tax return. *(Not considered necessary to score.)*

4. Eliminate User Fees for Initial Determination Letters for Small Businesses Adopting a Qualified Retirement Plan for the First Time. The IRS is statutorily required to impose user fees on those who apply for IRS approval of retirement plans and plan amendments. Under the proposal, this requirement would be eliminated for a small business that had never had a tax-qualified retirement plan. Elimination of the requirement would be available to employers that did not employ, in the preceding year, more than 100 employees with compensation in excess of $5,000. The plan would have to cover at least 2 individuals. *(Five-year cost: $14 million.)*

5. Reduced PBGC Premium for New Small Business Plans. The PBGC charges each covered defined benefit plan an annual premium of $19 per participant plus a variable rate premium of $9 per $1,000 of under-funding. To encourage formation of new defined benefit plans among small employers (where the decrease in defined benefit plans has been greatest), the proposal would lower the premium to $5 per participant (and eliminate the variable rate premium) for any year in the first five years of the plan in which the employer had 100 or fewer employees. *(Less than $500,000 per year.)*

6. Reduced PBGC Premium for New Larger Business Plans. The PBGC charges each covered defined benefit plan an annual premium of $19 per participant plus a variable rate premium of $9 per $1,000 of under-funding. To encourage formation of new defined benefit plans among larger employers, the flat rate premium would remain unchanged, but the variable rate premium would be phased in at 20% per year (0% for the first year, 20% for the second year, etc.). *(Less than $500,000 per year.)*

B. Women's Retirement Security

1. Count Leave under FMLA for Vesting and Eligibility Purposes. Workers who take time off under the Family and Medical Leave Act (FMLA) could count that time toward retirement plan vesting and eligibility to participate. Under FMLA, eligible workers are entitled to up to 12 weeks of unpaid leave to care for a new child, to care for a family member who has a serious health condition, or because the worker has a serious health condition. *(Negligible revenue effect.)*

2. Require Pension Plans to Offer a 75 Percent Survivor Annuity. Current law requires certain pension plans to offer to pay pension benefits as a joint and survivor annuity; frequently, the benefit for an employee's surviving spouse is reduced to 50 percent of the monthly benefit paid when both spouses were alive. Under the proposal, plans that are subject to the joint and survivor annuity rules would have to offer an option that pays a survivor benefit equal to at least 75 percent of the benefit the couple received while both were alive. *(Five-year tax revenue loss: $7 million.)*

C. Enhance Pension Portability

1. Faster Vesting of Employer Matching Contributions. Employer matching contributions

under 401(k) plans (or other qualified plans) would be required either to be fully vested after an employee has completed three years of service, or to become vested in increments of 20 percent for each year beginning after the employee has completed two years of service, with full vesting after the employee has completed six years of service. *(Negligible revenue effect.)*

2. Expand the PBGC Missing Participant Program. The Retirement Protection Act of 1994 established a missing participant program at the PBGC for terminating defined benefit plans. If a participant in a single-employer defined benefit plan covered by the PBGC is missing when the plan terminated, the plan can either send PBGC the missing participant's benefit or tell the PBGC what insurance company is holding the benefit. PBGC will search for the missing participant as part of its existing program, and when the participant is found, pay the benefit or send the missing participant to the insurance company. The proposal would expand the program to include terminating multiemployer plans, terminating non-PBGC-covered defined benefit plans, and terminating defined contribution plans so that employers would have a simple means of providing the benefits and participants would know where to look for their benefits. *(Less than $500,000 per year.)*

3. Permit Rollovers Between Qualified Retirement Plans and 403(b) Tax-Sheltered Annuities. Under current law, rollovers are not allowed between qualified retirement plans and Section 403(b) tax-sheltered annuities. Under the proposal, eligible rollover distributions from a qualified retirement plan could be rolled over to another qualified retirement plan, a Section 403(b) tax-sheltered annuity, or a conduit IRA. Likewise, eligible rollover distributions from a Section 403(b) tax-sheltered annuity could be rolled over to the same array of plans and conduit IRAs. Thus, an eligible rollover distribution from a Section 401(k) plan could be rolled over to a Section 403(b) tax-sheltered annuity and vice versa. *(Negligible revenue effect.)*

4. Rollovers of Contributions from Nonqualified Deferred Compensation Plans of State and Local Governments to IRAs. Generally, amounts held under qualified retirement plans or section 403(b) tax-sheltered annuity plans may be rolled over to an IRA. However, under current law, amounts held under nonqualified deferred compensation plans of state or local governments (that is, governmental 457 plans) may not be rolled over into an IRA and are taxable upon distribution. The proposal would allow individuals to roll over the money they have saved in a governmental 457 plan to an IRA. *(Negligible revenue effect.)*

5. Rollovers of IRAs into Workplace Retirement Plans. Under current law, individuals may only roll over amounts in "conduit" IRAs (that is, IRAs containing only amounts rolled over from workplace retirement plans) into their qualified retirement plans or section 403(b) tax-sheltered annuities. Under the proposal, individuals who have IRAs and whose IRA contributions have all been tax deductible will also be offered the opportunity to roll over funds from their IRAs into their qualified defined contribution retirement plan or 403(b) plan-- provided that the retirement plan trustee meets the same high standards as an IRA trustee. Individuals would be allowed to consolidate their IRA funds and their workplace retirement savings in a single place. *(Negligible revenue effect.)*

6. Rollovers of After-tax Contributions. While pre-tax contributions to retirement plans are

perhaps the most common form of employee contribution, some plans also allow participants to make after-tax contributions. Under current law, these after-tax contributions cannot be rolled over when employees switch jobs. The proposal would allow individuals to roll over their after-tax contributions to their new employer's defined contribution plan or to an IRA if the receiving plan or IRA provider agrees to track and report the after-tax portion of the rollover for the individual. *(Negligible revenue effect.)*

7. Purchase of Service Credits in Governmental Defined Benefit Plans. Employees of state and local governments, particularly teachers, often move between states and school districts in the course of their careers. Under state law, these employees often have the option of purchasing service credits in their state defined benefit pension plans in order to make up for time spent in another state or district. With purchase of these service credits, workers can earn a pension reflecting a full career of employment in the state in which they conclude their career. Under current law, these employees are not able to make a tax-free transfer of the money they have saved in their 403(b) plan or governmental 457 plan to purchase these service credits and often lack other resources to use for this purpose. Under the proposal, state and local government employees will be able to use funds from these retirement savings plans to purchase service credits through a direct transfer without first having to take a taxable distribution of these amounts. *(Negligible revenue effect.)*

8. Allow Thrift Savings Plan to Accept Tax-Free Rollovers from Private Plans. Under current law, rollover contributions from a qualified trust may not be made to a FERS Thrift Savings Plan (TSP) account for Federal government employees. Under the proposal, an employee would be allowed to roll over an "eligible rollover distribution" from a qualified trust sponsored by a previous employer to the employee's TSP account. *(Negligible revenue effect.)*

9. Allow for Immediate Participation in Thrift Savings Plan for new Employees. Under current law, employees can sign-up to contribute to TSP only during two semi-annual election periods and newly hired employees can only participate in the second election period after being hired. As a result, the average waiting time for participation is 9 months. This proposal would set an example for private sector employers by permitting federal employees to contribute to TSP when they first begin work. *(Five-year revenue loss: $14 million.)*

10. Require Immediate Matching of Thrift Savings Plan Employee Contributions. Last year, the Administration supported allowing new federal employees to participate immediately in the Thrift Savings Plan (TSP); however, last year's proposal would not have changed the date at which agency contributions begin. Under current law, employees can sign up to contribute only during two semi-annual election periods and newly hired employees can only participate in the second election period after being hired. Agency automatic and matching contributions begin at this time. The average waiting time for participation and the beginning of agency contributions is nine months. This year, the Administration also proposes immediate agency contributions to employee TSP accounts, in addition to immediate employee participation. *(No budget cost. Absorbed in agency S&E accounts.)*

D. Pension Right-to-Know Proposals

1. Periodic Benefit Statements. Savings could be enhanced if plan participants were more aware of pension benefits and their growth. Rules could be changed to require defined contribution plans to provide annual statements of account balances to participants. Similarly, defined benefit pension plans could be required to provide statements of estimated annual pension benefits to participants. Because the calculation of the exact defined benefit pension plan annual retirement payment is often dependent on factors determined at retirement, the statement to participants in defined benefit plans would be required to be a reasonable estimate of future benefits provided every three years. *(No revenue effect.)*

2. Disclosure of survivor benefit options to spouses prior to waiver. Certain pension plans must provide benefits in a joint and survivor annuity form unless the non-participant spouse waives the benefit. Disclosing the right to, and amount of, the survivor's benefit to the nonparticipant spouse helps ensure that the nonparticipant's waiver of the survivor benefit is an informed choice. The pension rules could be changed to require that a copy of a participant's explanation of benefits be provide to the participant's spouse when it is provided to the participant. *(No revenue effect)*

E. Increase Retirement Security and Simplification

1. Strengthen the Audit and Enforcement System for Private Pensions and Employee Benefits. The audit reform proposals are designed to strengthen audits for all employee benefit plans. The legislation would address the circumstances under which plan sponsors could limit the scope of an audit. The ERISA definition of "qualified public accountant" would be modified to include requirements to ensure the quality of plan audits. These proposals would require a plan administrator to notify the Secretary of Labor withing five (5) business days whenever the administrator has determined that there is evidence that an irregularity may have occurred with respect to the plan, or has received notice from the accountant that the accountant has similarly determined that there is evidence that an irregularity may have occurred. The administrator also would be required to furnish a copy of such notification to the accountant engaged to audit the plan's financial statements. The Secretary of Labor would be given discretion to determine circumstances under which a penalty for a breach of fiduciary responsibility would be assessed. *(Less than $500,000 per year.)*

2. Increase the PBGC Guarantee for Multiemployer Plans. The PBGC guarantees benefits of workers in multiemployer plans. If a multiemployer plan requires PBGC financial assistance, the maximum benefit that the PBGC will guarantee is equal to the participant's years of service multiplied by the sum of (I) 100 percent of the first $5 of the monthly benefit accrual rate, and (ii) 75 percent of the next $15 of the accrual rate. The guarantee has not been increased since 1980. The proposal would adjust the guarantee amounts to 100 percent of the first $11, and 75 percent of the next $33. This would increase the monthly guarantee for a worker with 30 years of service from $5,850 to $12,870. *(Increases outlays by $9 million over 5 years.)*

3. Simplify the PBGC Guarantee and Allocation Rules for Owner-Employees. If a defined benefit plan of a substantial owner (i.e., with an ownership interest exceeding 10%) terminates, the

PBGC guarantee for the substantial owner's benefit is severely limited. There are also special, complicated rules as to how the plan's assets are allocated to substantial owners' benefits. The proposal would simplify the guarantee and allocation rules. All owners other than majority owners (i.e., with an ownership interest of 50% or more) would be treated the same as other participants. Majority owners would have special rules, but vastly simplified. *(Less than $500,000 per year.)*

4. Modify Safe Harbor Nondiscrimination Tests. To increase retirement benefits for low and moderate income workers, the section 401(k) matching formula safe harbor would be modified by requiring that, in addition to the matching contribution, employers would make a contribution of one percent of compensation for each eligible non-highly compensated employee, regardless of whether the employee makes elective contributions. *(Five-year tax revenue loss: $93 million).*

5. Simplify Definition of Highly Compensated Employee. The top-paid group election would be eliminated from the definition of highly compensated employee. Under the new definition, an employee would be treated as a highly compensated employee if the employee (1) was a five-percent owner of the employer at any time during the year or the preceding year, or (2) for the preceding year, had compensation in excess of $80,000 (indexed for inflation). *(Five-year revenue loss: $7 million)*

6. Simplify Benefit Limits for Multiemployer Plans under Section 415. The section 415 limits applicable to multiemployer plans would be modified to eliminate the 100 percent-of-compensation limit (but not the $130,000 limit) for such plans, and to exempt certain survivor and disability benefits from the adjustments for early commencement and for participation and service of less than 10 years. This would be comparable to the changes made to the section 415 limits for governmental plans in the Small Business Job Protection Act of 1996. *(Five-year tax revenue loss: $32 million)*

7. Simplify Full Funding Limitation For Multiemployer Plans. The limit on deductible contributions based on a specified percentage of current liability would be eliminated for multiemployer plans. Therefore, the annual deduction for contributions to such a plan would be limited to the amount by which the plan's accrued liability exceeds the value of the plan's assets. In addition, actuarial valuations would be required under the Code no less frequently than every three years for multiemployer plans. Parallel changes would be made to ERISA. *(Five-year revenue loss: $32 million)*

8. Eliminate Partial Termination Rules for Multiemployer Plans. The requirement that affected participants become 100 percent vested in their accrued benefits (to the extent funded) upon the partial termination of a qualified employer retirement plan would be repealed with respect to multiemployer plans. Applying the partial termination rules can often be difficult and uncertain for multiemployer plans. Frequently participants do not suffer the interruption of their progress along the plan's vesting schedule that ordinarily occurs when an employee stops being covered by a plan. Given these factors, the difficulties associated with applying the partial termination rules to multiemployer plans outweigh the benefits. *(Negligible revenue effect.)*

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jackson T. Dunn (CN=Jackson T. Dunn/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 9-FEB-1999 10:25:42.00

SUBJECT: pensions

TO: Jonathan M. Young (CN=Jonathan M. Young/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Kelley L. O'Dell (CN=Kelley L. O'Dell/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jena V. Roscoe (CN=Jena V. Roscoe/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Ilia V. Velez (CN=Ilia V. Velez/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Maureen T. Shea (CN=Maureen T. Shea/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Richard Socarides (CN=Richard Socarides/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Deborah B. Mohile (CN=Deborah B. Mohile/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jackson T. Dunn (CN=Jackson T. Dunn/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: allen.kent (allen.kent @ mail.va.gov @ inet [UNKNOWN])
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TO: Victoria A. Lynch (CN=Victoria A. Lynch/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Maritza Rivera (CN=Maritza Rivera/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Christine A. Stanek (CN=Christine A. Stanek/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Sondra L. Seba (CN=Sondra L. Seba/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Robin Leeds (CN=Robin Leeds/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Jennifer M. Luray (CN=Jennifer M. Luray/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Cheryl M. Carter (CN=Cheryl M. Carter/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: WOOLLEY_B (WOOLLEY_B @ A1 @ CD @ LNGTWY [UNKNOWN]) (WHO)
READ:UNKNOWN

TEXT:
For your review, attached please find internal documents on the pension portability, not for distribution. I think that this is an issue affecting mostly the business and the women outreach desks, but if you have individuals that would be interested, let us know.

The event will be held on Thursday in Room 450. The time has not been set.
---------------------- Forwarded by Jackson T. Dunn/WHO/EOP on 02/09/99 10:11 AM ---------------------------

From: Dan J. Taylor @ OVP on 02/08/99 04:28:09 PM
Record Type: Record

To: Jackson T. Dunn/WHO/EOP
cc:
Subject: pensions

---------------------- Forwarded by Dan J. Taylor/OVP on 02/08/99 04:28 PM ---------------------------

Pieter J. Boelhouwer
01/28/99 09:38:46 AM
Record Type: Record

To: Dan J. Taylor/OVP
cc:
Subject: pensions

---------------------- Forwarded by Pieter J. Boelhouwer/OVP on 01/28/99 09:37 AM ---------------------------

Sarah Rosen @ EOP
01/28/99 09:15:47 AM
Record Type: Record

To: Pieter J. Boelhouwer/OVP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Re: Pension package announcement on 2/10

We have a package of legislation (see memo attached -- all outstanding issues have been resolved since this was written) that includes much from previous years but some significant new provisions. The new provisions are in two areas: increasing pension portability and expanding private pension plan coverage, especially for small businesses. In addition, there are two provisions that potus announced last year but we never sent to the hill on women's retirement security. The portability provisions were largely authored by Rep. Pomeroy and we will need to find a role for him in the event. However, members of the Ways and Means and Finance Committee got mad at us last year for giving him too much prominence when they do the work, so leg affairs (Chuck Brain) will need to be consulted about how to best deal with members for the event.

In addition, Treasury Secretary Rubin, Secretary Herman, and PBGC Director David Strauss should probably be invited because their agencies administer the provisions in this bill.

In general, I think the message is that our first priority is to save social security -- but there are three legs to the retirement system -- social security, private pensions, and personal savings -- and we must simultaneously work to strengthen this important second leg as well. (The PResident's USA accounts can be seen as addressing the 3rd leg.) To do so, we must make it easier for small businesses to start pension plans and expand coverage, make it easier to individuals to take their pensions with them as they change jobs (in an increasingly mobile workforce), pay special attention to the needs of women who live longer yet have far less pension protection then men, enhance individual knowledge of pension plan provisions through "Pension right-to-know" provisions, and increase the security of pension plans through various administrative provisions.

Note that Treasury does not plan to have bill language completed for the event. They want to wait and send it with a whole tax bill if we do one. If the VP feels differently, we need to talk to them ASAP. However, we have done this before so I don't see it as a problem.

We are working on hand-outs and other materials for the event. Let me know if you have further questions.

Pieter J. Boelhouwer @ OVP
01/28/99 08:22:23 AM
Record Type: Record

To: Sarah Rosen/OPD/EOP
cc:
Subject: Pension package announcement on 2/10

I thought it would be helpful to touch base about the pension announcement which we have scheduled for the VP on the 10th. Before we recreate the wheel, I was wondering if you had thoughts on overall message, type of event, place, etc. When you get a moment, please give me a call on 6-6265. Thanks

Message Copied
To:____
Jonathan Orszag/OPD/EOP @ EOP
Jonathan A. Kaplan/OPD/EOP @ EOP
Jake Siewert/OPD/EOP @ EOP
Sally Katzen/OPD/EOP @ EOP
Charles M. Brain/WHO/EOP @ EOP

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

TEXT:
Unable to convert ARMS_EXT:[ATTACH.D50]MAIL48582214G.036 to ASCII,
The following is a HEX DUMP:

January 25, 1999

MEMORANDUM TO NEC DEPUTIES

FROM: **Sarah Rosen for THE PENSIONS WORKING GROUP**

RE: **FY 2000 PENSION LEGISLATION -- SUMMARY AND OUTSTANDING ISSUES**

I. OVERVIEW

The Pensions Working Group has reached agreement on all but one element of a package of legislation for FY 2000. The proposed table of contents for the package is shown on the following page. Each of the items in the package is summarized in greater detail in the Appendix. As you can see, the package includes the prior year's legislation. The new proposals include significant new provisions to expand pension portability and new incentives for the creation of new plans. The legislation also includes two Women's Retirement Security provisions that have never before been a part of Administration legislation, although the President did propose these provisions at an event last fall.

There is one open issues for which we need guidance from the Deputies. In addition, we want you to be aware of the consequences of another of the new proposals. Finally, there is one item that may or may not be included in the package depending upon the result of internal Treasury deliberations. We wanted you to be aware of that issue so that, if the discussions are resolved satisfactorily in the next few days, it can be included without further clearance. These issues are discussed in this memorandum, following the table of contents. We hope to resolve these issues without a Deputies meeting. **Deputies are asked to provide their views via staff to Sarah Rosen no later than close of business Tuesday, January 26, 1999.** If there are significant differences of opinion, NEC Deputy Director Sally Katzen will convene a conference call or meeting as necessary.

The components of this plan are mentioned at various places throughout the President's FY 2000 budget. The working group is preparing legislation that could be sent to Congress in February following the budget. The Administration might wish to have an event to unveil the proposal, designed not to confuse the message on Social Security. Senator Daschle's staff indicate that they already have dropped in a bill, essentially the same as the Democratic omnibus pensions bill from last year. (That bill included all of the provisions that were in previous Administration pension proposals, plus other items that the Administration did not support.) The Democratic leadership also plans to offer another bill, after our budget is released, that probably will include any new provisions from the Administration along with new provisions that we may or may not support from other members.

II. PRESIDENT CLINTON'S 1999 PENSION LEGISLATION

Notes: Items in ***bold and italics*** have never before been included in legislation sent to Congress by the Administration; however, the President did announce his support for the two provisions under "Women's Retirement Security" late last year. The three items discussed below are marked with an asterisk (*).

A. Expand Private Pension Plan Coverage

1. SMART Plan -- A Simplified Pension Plan for Small Business.
2. Small Business Tax Credit for Retirement Plan Start-up Administrative and Educational Expenses.
3. Expanded Access to Payroll Deduction for Retirement Saving.
4.* ***Eliminate User Fees for Initial Determination Letters for Small Businesses Adopting a Qualified Retirement Plan for the First Time.****
5. ***Reduce PBGC Premiums for New Small Business Plans.***
6.* ***Reduce PBGC Premium for New Larger Business Plans.****

B. Women's Retirement Security

1. ***Count Leave under FMLA for Vesting and Eligibility Purposes.***
2. ***Require Pension Plans to Offer a 75 Percent Survivor Annuity.***

C. Enhance Pension Portability

1. Faster Vesting of Employer Matching Contributions.
2. Expand the PBGC Missing Participant Program.
3. ***Rollovers Between Qualified Retirement Plans and 403(b) tax-Sheltered Annuities.***
4. ***Rollovers of Contributions from Nonqualified Deferred Compensation Plans of State and Local Governments to IRAs.***
5. ***Rollovers of IRAs into Workplace Retirement Plans.***
6. ***Rollovers of After-tax Contributions.***
7. ***Purchase of Service Credits in Governmental Defined Benefit Plans.***
8. ***Allow Thrift Savings Plan to Accept Tax-Free Rollovers from Private Plans.***
9. Allow for Immediate Participation in Thrift Savings Plan for new Employees.
10.* ***Require Immediate Matching of Thrift Savings Plan Employee Contributions.****

D. Expand pension right-to-know provisions

1. Periodic Benefit Statements.
2. Disclosure of Survivor Benefit Options to Spouses Prior to Waiver.

E. Increase Retirement Security and Simplification

1. Strengthen the Audit and Enforcement System for Private Pensions and Employee Benefits.
2 Increase the PBGC Guarantee for Multiemployer Plans.
3. Simplify the PBGC Guarantee and Allocation Rules for Owner-Employees.
4. Modify Safe Harbor Nondiscrimination Tests.
5. Simplify Definition of Highly Compensated Employee.
6. Simplify Benefit Limits for Multiemployer Plans under Section 415.
7. Simplify Full Funding Limitation For Multiemployer Plans.
8. Eliminate Partial Termination Rules for Multiemployer Plans.

III. DISCUSSION OF OPEN ISSUES

A. Reduce PBGC Premium for New Larger Business Plans

PBGC is greatly concerned about the lack of new defined benefit plans. PBGC believes that: (1) as new businesses are formed, too few employees are getting the advantages of predictable, secure benefits for life, as available through defined benefit plans; and (2) defined contribution plans -- like 401(k) plans -- provide a valuable supplement to, but not a replacement for, the advantages of defined benefit plans. Encouraging new defined benefit plans was the rationale for the Administration's proposal last year to create a small business simplified defined benefit-type plan (the "SMART" plan).

For this same reason, PBGC also proposed to reduce PBGC premiums for start-up plans. Under current law, PBGC charges each covered defined benefit plan an annual premium of $19 per participant plus a variable rate premium (or "risk premium") of $9 per $1,000 of under-funding. The variable rate premium is often mentioned as one of the factors that influences a company's determination of whether to offer a defined benefit plan. During the first few years of a plan, past service credit can create a large initial liability, resulting in plan under-funding and high variable rate premiums.

To encourage formation of new defined benefit plans among small employers (where the decrease in plans has been greatest), PBGC proposed to lower the premium to $5 per participant (and eliminate the variable rate premium) for any year in the first five years of the plan in which the employer had 100 or fewer employees. ***There is no disagreement about this aspect of the PBGC proposal.*** In addition, to encourage formation of new defined benefit plans among larger employers, PBGC proposed to phase in the variable rate premium at 20% per year over the first five years (leaving the flat rate premium unchanged) for large firms. (For budget purposes, this proposal would cost less than $500,000 per year.) ***OMB staff oppose this aspect of the PBGC proposal.***
In general, OMB staff argue that the proposal is inconsistent with past Administration efforts to strengthen adequacy of pension plan financing, because it would, in OMB's view, undermine the Administration's achievements in promoting the full funding of pension plans. Specifically,

OMB argues:

- The PBGC plan would benefit large plans only if they are under-funded at inception. (Some are not.) An under-funded plan risks default, takeover by PBGC, and lower benefits to retirees even with the PBGC insurance.

- The Administration has succeeded legislatively in making PBGC's premium much more truly risk-based. The Administration removed the prior cap on risk premium payments for severely under-funded plans. As a result, premium costs now better reflect of the true risk that companies default on their pension promises and better reflect pension insurance's true cost.

- The Administration has succeeded in enacting legislation that tightens up pension funding requirements and that requires employers to notify workers when their pension plans are under-funded.

- The Administration has fought off a legislative attempt to allow employers to shift assets out of over-funded plans (pension asset reversions). We must continue to resist any efforts that would weaken plan funding even if plans are currently sound.

- The proposal may set an unfortunate precedent for giving premium breaks to a much wider range of companies that have not funded their pension promises fully. What is to stop struggling companies with established plans from seeking the same premium reductions that companies with new plans would enjoy? Employer groups have supported cutting back risk premiums in general.

- The proposal is not based on actuarial data. Under it, some companies with under-funded pension plans would in effect, be cross-subsidized unfairly by fully-funded companies -- companies that play by the rules.

PBGC believes that the benefits of encouraging new plan start-up far outweigh the hypothetical concerns raised by OMB. Specifically, PBGC argues:

- Pension plans do not pose significant risks to PBGC in their first five years. Moreover, the funding rules were never intended to get plans funded up over five years. PBGC does have significant concern about mature, chronically under-funded plans. However, in both the 1987 and 1994 legislation strengthening the funding rules, they focused on a 15-year horizon to get these mature, chronically-under-funded plans fully funded. All of PBGC's major insurance claims have come from well-established, chronically under-funded plans, not from new plans. (PBGC's guarantee is phased in--0% for the first year, 20% for the second year, etc.--so we have far less exposure to claims from new plans.)

- PBGC's actuaries are convinced that this proposal creates no additional risk to the PBGC. The proposal in no way impacts the current law requiring the funding of the plan; the proposal only limits the premiums paid to the PBGC in years in which it faces virtually no real risk.

- Finally, PBGC's legislative staff are confident that this proposal--which already is included in pending legislation--in no way opens the door to Congress questioning the variable rate premium for the chronically under-funded. If it does anything, it removes an issue that, if not dealt with, could cause sympathy for taking another look at the variable rate premium. PBGC being reasonable on a minor issue is a plus not a minus.

Commerce, DoL, and Treasury tax policy staff support the PBGC proposal. CEA also favors the proposed gradual 5-year phase-in of PBGC's variable rate premium for new plans at large firms, as a way of encouraging new plan formation with prior-service credits -- both of which would be good things for workers. While CEA strongly supports risk-based premiums and oppose underfunding, they are persuaded that new plans at large firms that provide credits for prior service are a special case warranting a limited exception to these principles. It does not seem that PBGC would be taking on much risk in this type of case.

OPTION: **1. INCLUDE PHASE-IN OF PBGC RISK PREMIUMS FOR LARGE EMPLOYER PLAN START-UPS IN ADMINISTRATION 1999 PENSION PACKAGE**

2. OMIT SAME FROM ADMINISTRATION 1999 PACKAGE

B. Require Immediate Matching of Thrift Savings Plan Employee Contributions

Last year, the Administration supported allowing new federal employees to participate immediately in the Thrift Savings Plan (TSP); however, last year's proposal would not have changed the date at which agency contributions begin. Under current law, employees can sign up to contribute only during two semi-annual election periods and newly hired employees can only participate in the second election period after being hired. Agency automatic and matching contributions begin at this time. The average waiting time for participation and the beginning of agency contributions is nine months. By allowing immediate participation, the Administration would set an example for private sector employers.

The working group has considered whether, this year, the Administration also should propose immediate agency contributions to employee TSP accounts, in addition to immediate employee participation. There would be no additional budget cost from this proposal, but the cost would be felt by individual agencies in marginally diminished resources for administrative and personnel costs. Each agency's S&E budget would have to cover a somewhat greater cost per new employee than before -- as much as 4% per employee for nine months. OMB estimates that the annual costs for all federal employees would be on the order of $50 million non-Postal, $30

million Postal. ***This is substantially less than one-tenth of one percent of salary and expenses.***

OMB and **OPM** support this proposal, as do **DoL** and **PBGC**. **CEA** strongly supports immediate matching to encourage savings and set an example for other employers. They believe it would be an attraction in recruiting agency staff. **Treasury** tax policy supports the proposal as a matter of pension policy, but Treasury management objects to its inclusion after completion of their FY 2000 S&E budget. The proposal would increase personnel costs for Customs and the IRS by an amount they feel is significant. Thus, they ask that we propose that immediate participation and agency matching begin in 2001 and we have agreed.

While ***the working group is unanimous in support of this policy proposal***, some people have suggested that raising benefit levels for public employees might be controversial and raising benefit costs for agencies might limit their flexibility, so we thought it important that you be aware of the advantages and disadvantages.

The advantages can be summarized as:

- TSP officials think that it would easier to administer if both employee and agency contributions are allowed to start at the same time, as under current law.

- The proposal would increase retirement savings for new federal employees.

- The proposal would allow the federal government to continue to serve as a role model for employers in providing pension benefits to their employees.

The disadvantages, however, include:

- Potential political fall-out from raising benefits for federal employees rather than providing tax cuts or other benefits for "average" Americans.

- The proposal imposes an additional benefit obligation on agencies, thereby reducing their budgetary flexibility.

OPTION: **1. INCLUDE IMMEDIATE AGENCY TSP CONTRIBUTIONS IN ADMINISTRATION 1999 PENSION PACKAGE TO BEGIN FY 2001**

2. OMIT SAME FROM ADMINISTRATION 1999 PACKAGE

C. ELIMINATE USER FEES FOR INITIAL DETERMINATION LETTERS FOR SMALL BUSINESSES ADOPTING A QUALIFIED RETIREMENT PLAN FOR THE FIRST TIME.

The IRS is statutorily required to impose user fees on those who apply for IRS approval of retirement plans and plan amendments. Treasury initially proposed that we eliminate this

requirement for a small business that had never had a tax-qualified retirement plan. Elimination of the requirement would be available to employers that did not employ, in the preceding year, more than 100 employees with compensation in excess of $5,000. The plan would have to cover at least two individuals.

Over five years, this would cost the taxpayers only $14 million, while providing a nice signal to small businesses that we want to encourage small business plan formation. Coupled with the reduction in PBGC premiums for small plans, this proposal adds balance to the new elements of our legislation which are predominantly portability provisions coming from Rep. Pomeroy's bill. With these, we can say the new proposals both increase portability and expand coverage.

However, the IRS is proposing to take administrative steps next month to increase the fees it charges for installment agreements. (Installment agreements are agreements with taxpayers with tax liabilities that they cannot repay at once.) Treasury (John Talisman) is concerned about the optics: raising the cost of paying taxes on those who are least able to do so, while we are lowering costs of dealing with the IRS for businesses. Treasury staff hope to dissuade the IRS from the installment plan fee increases. If they are able to do so within the next few days, then Tax Policy will agree with the unanimous recommendation of the working group that we should include the small business fee waiver provision in the Administration's pension package.

APPENDIX

SECTION-BY-SECTION DESCRIPTION OF THE PRESIDENT'S 1999 PENSION LEGISLATION

A. Expand private pension plan coverage

1. SMART Plan -- A Simplified Pension Plan for Small Business. Small employers would be allowed to adopt a new simplified, tax-favored pension plan that provides participants with a minimum guaranteed benefit at retirement. The plan provides the option for payments over the course of the employee's retirement years, and PBGC insurance, together with the potential for additional benefits from favorable investment return and the portability of individual accounts. The SMART plan would provide a fully funded minimum defined benefit, with a possible higher benefit if cumulative investment returns exceed 5 percent. Under the SMART plan, for each year of participation the employee would earn a minimum annual benefit at retirement equal to 1 or 2 percent of compensation for that year. The employer could elect, for each of the first 5 years the SMART plan is in place, to provide all employees with a benefit equal to 3 percent of compensation (in lieu of 1 or 2 percent of compensation). Funding would be provided through a SMART plan individual retirement annuity issued by an insurance company or through a SMART trust that invests in registered securities. Each year the employer would be required to invest an amount sufficient to provide the benefit accrued that year under actuarial assumptions specified by statute, including a 5 percent interest rate. If the cumulative investment return is less than 5 percent, the employer would make up the shortfall. If the cumulative return exceeds 5 percent, the employee would be entitled to the larger amount. Generally, the employee would not receive distributions until age 65. *(Five-year tax revenue loss: $313 million. PBGC costs less than $500,000 per year.)*

2. Small Business Tax Credit for Retirement Plan Start-up Administrative and Educational Expenses. To encourage the adoption of new plans, provide a three-year tax credit, in lieu of a deduction, for 50 percent of the administrative and retirement-education expenses for any small business that adopts a new qualified retirement plan, SIMPLE, SEP, or payroll deduction IRA arrangement. The credit would cover 50 percent of the first $2,000 in administrative and retirement-education expenses for the first year and 50 percent of the first $1,000 of the these expenses for the second and third years. The credit would be available to employers that did not employ, in the preceding year, more than 100 employees with compensation in excess of $5,000, but only if the employer did not have a plan or payroll deduction IRA arrangement during any part of the year prior to enactment. The plan would have to cover at least 2 individuals. *(Five-year tax revenue loss: $520 million)*

3. Expanded Access to Payroll Deduction for Retirement Saving. Employers would be encouraged to offer employees payroll deduction contributions to IRAs. Contributions of up to $2,000 to an IRA through payroll deduction generally would be excluded from an employee's income, and, accordingly, would not be reported as income on the employee's Form W-2. Some employees would be able to use simpler tax forms. Like regular IRA contributions, the amounts would be subject to social security taxes. They would be reported as a contribution to an IRA on

the employee's Form W-2. In the event the amounts would not have been deductible had the employee contributed directly to an IRA, the employee would be required to include the amounts in income on the employee's tax return. *(Not considered necessary to score.)*

4. Eliminate User Fees for Initial Determination Letters for Small Businesses Adopting a Qualified Retirement Plan for the First Time. The IRS is statutorily required to impose user fees on those who apply for IRS approval of retirement plans and plan amendments. Under the proposal, this requirement would be eliminated for a small business that had never had a tax-qualified retirement plan. Elimination of the requirement would be available to employers that did not employ, in the preceding year, more than 100 employees with compensation in excess of $5,000. The plan would have to cover at least 2 individuals. *(Five-year cost: $14 million.)*

5. Reduced PBGC Premium for New Small Business Plans. The PBGC charges each covered defined benefit plan an annual premium of $19 per participant plus a variable rate premium of $9 per $1,000 of under-funding. To encourage formation of new defined benefit plans among small employers (where the decrease in defined benefit plans has been greatest), the proposal would lower the premium to $5 per participant (and eliminate the variable rate premium) for any year in the first five years of the plan in which the employer had 100 or fewer employees. *(Less than $500,000 per year.)*

6. Reduced PBGC Premium for New Larger Business Plans. The PBGC charges each covered defined benefit plan an annual premium of $19 per participant plus a variable rate premium of $9 per $1,000 of under-funding. To encourage formation of new defined benefit plans among larger employers, the flat rate premium would remain unchanged, but the variable rate premium would be phased in at 20% per year (0% for the first year, 20% for the second year, etc.). *(Less than $500,000 per year.)*

B. Women's Retirement Security

1. Count Leave under FMLA for Vesting and Eligibility Purposes. Workers who take time off under the Family and Medical Leave Act (FMLA) could count that time toward retirement plan vesting and eligibility to participate. Under FMLA, eligible workers are entitled to up to 12 weeks of unpaid leave to care for a new child, to care for a family member who has a serious health condition, or because the worker has a serious health condition. *(Negligible revenue effect.)*

2. Require Pension Plans to Offer a 75 Percent Survivor Annuity. Current law requires certain pension plans to offer to pay pension benefits as a joint and survivor annuity; frequently, the benefit for an employee's surviving spouse is reduced to 50 percent of the monthly benefit paid when both spouses were alive. Under the proposal, plans that are subject to the joint and survivor annuity rules would have to offer an option that pays a survivor benefit equal to at least 75 percent of the benefit the couple received while both were alive. *(Five-year tax revenue loss: $7 million.)*

C. Enhance Pension Portability

1. Faster Vesting of Employer Matching Contributions. Employer matching contributions

under 401(k) plans (or other qualified plans) would be required either to be fully vested after an employee has completed three years of service, or to become vested in increments of 20 percent for each year beginning after the employee has completed two years of service, with full vesting after the employee has completed six years of service. *(Negligible revenue effect.)*

2. Expand the PBGC Missing Participant Program. The Retirement Protection Act of 1994 established a missing participant program at the PBGC for terminating defined benefit plans. If a participant in a single-employer defined benefit plan covered by the PBGC is missing when the plan terminated, the plan can either send PBGC the missing participant's benefit or tell the PBGC what insurance company is holding the benefit. PBGC will search for the missing participant as part of its existing program, and when the participant is found, pay the benefit or send the missing participant to the insurance company. The proposal would expand the program to include terminating multiemployer plans, terminating non-PBGC-covered defined benefit plans, and terminating defined contribution plans so that employers would have a simple means of providing the benefits and participants would know where to look for their benefits. *(Less than $500,000 per year.)*

3. Permit Rollovers Between Qualified Retirement Plans and 403(b) Tax-Sheltered Annuities. Under current law, rollovers are not allowed between qualified retirement plans and Section 403(b) tax-sheltered annuities. Under the proposal, eligible rollover distributions from a qualified retirement plan could be rolled over to another qualified retirement plan, a Section 403(b) tax-sheltered annuity, or a conduit IRA. Likewise, eligible rollover distributions from a Section 403(b) tax-sheltered annuity could be rolled over to the same array of plans and conduit IRAs. Thus, an eligible rollover distribution from a Section 401(k) plan could be rolled over to a Section 403(b) tax-sheltered annuity and vice versa. *(Negligible revenue effect.)*

4. Rollovers of Contributions from Nonqualified Deferred Compensation Plans of State and Local Governments to IRAs. Generally, amounts held under qualified retirement plans or section 403(b) tax-sheltered annuity plans may be rolled over to an IRA. However, under current law, amounts held under nonqualified deferred compensation plans of state or local governments (that is, governmental 457 plans) may not be rolled over into an IRA and are taxable upon distribution. The proposal would allow individuals to roll over the money they have saved in a governmental 457 plan to an IRA. *(Negligible revenue effect.)*

5. Rollovers of IRAs into Workplace Retirement Plans. Under current law, individuals may only roll over amounts in "conduit" IRAs (that is, IRAs containing only amounts rolled over from workplace retirement plans) into their qualified retirement plans or section 403(b) tax-sheltered annuities. Under the proposal, individuals who have IRAs and whose IRA contributions have all been tax deductible will also be offered the opportunity to roll over funds from their IRAs into their qualified defined contribution retirement plan or 403(b) plan-- provided that the retirement plan trustee meets the same high standards as an IRA trustee. Individuals would be allowed to consolidate their IRA funds and their workplace retirement savings in a single place. *(Negligible revenue effect.)*

6. Rollovers of After-tax Contributions. While pre-tax contributions to retirement plans are

perhaps the most common form of employee contribution, some plans also allow participants to make after-tax contributions. Under current law, these after-tax contributions cannot be rolled over when employees switch jobs. The proposal would allow individuals to roll over their after-tax contributions to their new employer's defined contribution plan or to an IRA if the receiving plan or IRA provider agrees to track and report the after-tax portion of the rollover for the individual. *(Negligible revenue effect.)*

7. Purchase of Service Credits in Governmental Defined Benefit Plans. Employees of state and local governments, particularly teachers, often move between states and school districts in the course of their careers. Under state law, these employees often have the option of purchasing service credits in their state defined benefit pension plans in order to make up for time spent in another state or district. With purchase of these service credits, workers can earn a pension reflecting a full career of employment in the state in which they conclude their career. Under current law, these employees are not able to make a tax-free transfer of the money they have saved in their 403(b) plan or governmental 457 plan to purchase these service credits and often lack other resources to use for this purpose. Under the proposal, state and local government employees will be able to use funds from these retirement savings plans to purchase service credits through a direct transfer without first having to take a taxable distribution of these amounts. *(Negligible revenue effect.)*

8. Allow Thrift Savings Plan to Accept Tax-Free Rollovers from Private Plans. Under current law, rollover contributions from a qualified trust may not be made to a FERS Thrift Savings Plan (TSP) account for Federal government employees. Under the proposal, an employee would be allowed to roll over an "eligible rollover distribution" from a qualified trust sponsored by a previous employer to the employee's TSP account. *(Negligible revenue effect.)*

9. Allow for Immediate Participation in Thrift Savings Plan for new Employees. Under current law, employees can sign-up to contribute to TSP only during two semi-annual election periods and newly hired employees can only participate in the second election period after being hired. As a result, the average waiting time for participation is 9 months. This proposal would set an example for private sector employers by permitting federal employees to contribute to TSP when they first begin work. *(Five-year revenue loss: $14 million.)*

10. Require Immediate Matching of Thrift Savings Plan Employee Contributions. Last year, the Administration supported allowing new federal employees to participate immediately in the Thrift Savings Plan (TSP); however, last year's proposal would not have changed the date at which agency contributions begin. Under current law, employees can sign up to contribute only during two semi-annual election periods and newly hired employees can only participate in the second election period after being hired. Agency automatic and matching contributions begin at this time. The average waiting time for participation and the beginning of agency contributions is nine months. This year, the Administration also proposes immediate agency contributions to employee TSP accounts, in addition to immediate employee participation. *(No budget cost. Absorbed in agency S&E accounts.)*

D. Pension Right-to-Know Proposals

1. Periodic Benefit Statements. Savings could be enhanced if plan participants were more aware of pension benefits and their growth. Rules could be changed to require defined contribution plans to provide annual statements of account balances to participants. Similarly, defined benefit pension plans could be required to provide statements of estimated annual pension benefits to participants. Because the calculation of the exact defined benefit pension plan annual retirement payment is often dependent on factors determined at retirement, the statement to participants in defined benefit plans would be required to be a reasonable estimate of future benefits provided every three years. *(No revenue effect.)*

2. Disclosure of survivor benefit options to spouses prior to waiver. Certain pension plans must provide benefits in a joint and survivor annuity form unless the non-participant spouse waives the benefit. Disclosing the right to, and amount of, the survivor's benefit to the nonparticipant spouse helps ensure that the nonparticipant's waiver of the survivor benefit is an informed choice. The pension rules could be changed to require that a copy of a participant's explanation of benefits be provide to the participant's spouse when it is provided to the participant. *(No revenue effect)*

E. Increase Retirement Security and Simplification

1. Strengthen the Audit and Enforcement System for Private Pensions and Employee Benefits. The audit reform proposals are designed to strengthen audits for all employee benefit plans. The legislation would address the circumstances under which plan sponsors could limit the scope of an audit. The ERISA definition of "qualified public accountant" would be modified to include requirements to ensure the quality of plan audits. These proposals would require a plan administrator to notify the Secretary of Labor withing five (5) business days whenever the administrator has determined that there is evidence that an irregularity may have occurred with respect to the plan, or has received notice from the accountant that the accountant has similarly determined that there is evidence that an irregularity may have occurred. The administrator also would be required to furnish a copy of such notification to the accountant engaged to audit the plan's financial statements. The Secretary of Labor would be given discretion to determine circumstances under which a penalty for a breach of fiduciary responsibility would be assessed. *(Less than $500,000 per year.)*

2. Increase the PBGC Guarantee for Multiemployer Plans. The PBGC guarantees benefits of workers in multiemployer plans. If a multiemployer plan requires PBGC financial assistance, the maximum benefit that the PBGC will guarantee is equal to the participant's years of service multiplied by the sum of (I) 100 percent of the first $5 of the monthly benefit accrual rate, and (ii) 75 percent of the next $15 of the accrual rate. The guarantee has not been increased since 1980. The proposal would adjust the guarantee amounts to 100 percent of the first $11, and 75 percent of the next $33. This would increase the monthly guarantee for a worker with 30 years of service from $5,850 to $12,870. *(Increases outlays by $9 million over 5 years.)*

3. Simplify the PBGC Guarantee and Allocation Rules for Owner-Employees. If a defined benefit plan of a substantial owner (i.e., with an ownership interest exceeding 10%) terminates, the

PBGC guarantee for the substantial owner's benefit is severely limited. There are also special, complicated rules as to how the plan's assets are allocated to substantial owners' benefits. The proposal would simplify the guarantee and allocation rules. All owners other than majority owners (i.e., with an ownership interest of 50% or more) would be treated the same as other participants. Majority owners would have special rules, but vastly simplified. *(Less than $500,000 per year.)*

4. Modify Safe Harbor Nondiscrimination Tests. To increase retirement benefits for low and moderate income workers, the section 401(k) matching formula safe harbor would be modified by requiring that, in addition to the matching contribution, employers would make a contribution of one percent of compensation for each eligible non-highly compensated employee, regardless of whether the employee makes elective contributions. *(Five-year tax revenue loss: $93 million).*

5. Simplify Definition of Highly Compensated Employee. The top-paid group election would be eliminated from the definition of highly compensated employee. Under the new definition, an employee would be treated as a highly compensated employee if the employee (1) was a five-percent owner of the employer at any time during the year or the preceding year, or (2) for the preceding year, had compensation in excess of $80,000 (indexed for inflation). *(Five-year revenue loss: $7 million)*

6. Simplify Benefit Limits for Multiemployer Plans under Section 415. The section 415 limits applicable to multiemployer plans would be modified to eliminate the 100 percent-of-compensation limit (but not the $130,000 limit) for such plans, and to exempt certain survivor and disability benefits from the adjustments for early commencement and for participation and service of less than 10 years. This would be comparable to the changes made to the section 415 limits for governmental plans in the Small Business Job Protection Act of 1996. *(Five-year tax revenue loss: $32 million)*

7. Simplify Full Funding Limitation For Multiemployer Plans. The limit on deductible contributions based on a specified percentage of current liability would be eliminated for multiemployer plans. Therefore, the annual deduction for contributions to such a plan would be limited to the amount by which the plan's accrued liability exceeds the value of the plan's assets. In addition, actuarial valuations would be required under the Code no less frequently than every three years for multiemployer plans. Parallel changes would be made to ERISA. *(Five-year revenue loss: $32 million)*

8. Eliminate Partial Termination Rules for Multiemployer Plans. The requirement that affected participants become 100 percent vested in their accrued benefits (to the extent funded) upon the partial termination of a qualified employer retirement plan would be repealed with respect to multiemployer plans. Applying the partial termination rules can often be difficult and uncertain for multiemployer plans. Frequently participants do not suffer the interruption of their progress along the plan's vesting schedule that ordinarily occurs when an employee stops being covered by a plan. Given these factors, the difficulties associated with applying the partial termination rules to multiemployer plans outweigh the benefits. *(Negligible revenue effect.)*

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ann F. Lewis (CN=Ann F. Lewis/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:26-FEB-1999 11:43:40.00

SUBJECT:

TO: Ruby Shamir (CN=Ruby Shamir/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
Draft
2/26/
ann / 11:00am

The 1999 Democratic Agenda : continue on the path of fiscal responsibility to
keep our economy growing; invest now to meet the challenges of the 21st century, including quality education for children and secure retirement and quality care for
seniors; and enable families to meet their responsibilities at home and at work.

Continue on the path of fiscal responsibility :
Invest the surplus to save social security and Medicare and pay down the debt:
Save Social security by devoting 62 % of the surplus ------

Strengthen Medicare by devoting 15 % ...

Encourage savings : Devoting 12% of the surplus for USA Accounts will enable working families to save for their own retirement in private accounts

Pay down the national debt by investing 77 % of the surplus for Social Security and Medicare : reduces the national debt to the lowest level since 1917 and saves taxpayers billions of dollars in interest charges !

Invest to meet the challenges of the 21st century:

Quality education :Modernize schools, reduce class size and provide accountability:

School modernization: Federal tax credits will enable state and school districts to modernize and renovate 6,000 local public schools, to improve learning conditions , end overcrowding and make room for smaller classes;

Smaller classes: Finish the job of hiring 100,000 new teachers over the next seven years to reduce class size in grades 1-3 to a national average of 18, making sure that every child gets a solid foundation in the basics.

Teacher training and recruitment : Increase support for teacher training in subject-matter knowledge and teaching expertise; new incentives to recruit highly qualified teachers.

Build accountability measures into federal support for education to ensure that school districts and states provide every student with a high quality education, building on proven reforms now being implemented in states and cities

Education technology: Continue to provide schools with Internet capacity and resources for teacher training and integrating technology into the curricula; protect the e-rate discount for schools and libraries and new teacher training

Secure retirement and quality care for seniors

Social security

Lift earnings cap

Medicare and prescription drugs

Long term care

Pension protection

Enable families to succeed at home and at work

Patients Bill of Rights: Ensure quality health care in managed care plans by guaranteeing access to medical specialists, access to emergency room services , simplifying the grievance and appeals process and ensuring patients right to be compensated,

Continue to expand access to quality, affordable health care by enabling Americans age 62-65 and displaced and retired workers ages 55 to 65 to buy into Medicare if they lose coverage.

Ensure opportunity for Americans with disabilities by enabling workers with disabilities to buy into Medicaid and Medicare , a $1,000 tax credit and support for assistive technologies.

Targeted tax cuts for retirement savings, child care, and long term care

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Child Care: Improve the accessibility and safety of child care through expansion of the child care and development block grant to help working families meet costs and improve quality by increased training and support services for care givers .

After school care: increase after school care to enable 1.1 million children each year to participate in after school and summer school programs by using public school facilities and existing resources.

50,000 more cops with 21st century tools

Raise the minimum wage and enforce fair pay

Raise the minimum wage: Recognize the value of work and give million of Americans a pay raise by increasing the minimum wage

Ensure equal pay :Help guarantee equal pay for women and men by stronger enforcement of equal pay laws, ending wage discrimination, and improving access to wage information for all workers.

Protect the environment and Improve livability

Protect our environment and our families safety by ensuring clean air , clean water; and safe food ; continue accelerated toxic waste clean up and make polluters pay; protect our national parks and other great places.

Improve livability ----

Crackdown on Crimes Against Seniors

Give law enforcement officials additional tools to prosecute criminals who target seniors , such as telemarketing fraud and health care , and strengthen penalties for criminal behavior that harms seniors physically and financially.

Reduce unnecessary and illegal Medicare costs by cracking down on fraud and abuse in the Medicare system.

Privacy:

Protect the privacy of medical records; ensure patients privacy by protecting access to electronic and other forms of medical records .

Protect the privacy of financial records through enacting a consumer,s bill of rights that bars misuse of confidential records, with real enforceable penalties .

Note : As of 2/26, this draft does not include
From +98 Unity document:

Research and technology
Educational Opportunity zones
End teen smoking
.08 alcohol blood level

From +99 House Agenda doc:

Higher Education deductibility
Health Insurance Premium deductibility
Medical Research
Anti-juvenile crime prevention

From +99 Senate agenda doc:

Increase deductions for college and vocational education

From +99 SOTU list

Discrimination against parents
Biomedical research
Small business to purchase health insurance
Health care access for uninsured (community health centers)
Mental health
Tobacco
Brady Waiting period , juveniles, safety locks
Drug free schools
Climate change
Livability bonds
Lands Legacy
Clean Air Partnership fund

Note : 21st century economy: none of initiatives included
Re employment, empowerment zones, etc

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Barry J. Toiv (CN=Barry J. Toiv/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:24-MAY-1999 10:58:44.00

SUBJECT: ex-POTUS benefits

TO: Mary C. Beck (CN=Mary C. Beck/OU=OA/O=EOP@EOP [OA])
READ:UNKNOWN

TEXT:
Can you give me a list of former Presidents' benefits, including but not limited to pension, protection, office, personnel, travel, whatever -- thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Clifton Linton (Clifton Linton [UNKNOWN])

CREATION DATE/TIME:14-JAN-2000 20:01:04.00

SUBJECT: Retirement questions from 401Kafe.com

TO: Mark A. Kitchens (CN=Mark A. Kitchens/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TEXT:
Dear Mark,

Here are some of the specifics I hope you can answer for my story.

As I mentioned, my deadline is Tuesday. But, I could make last-minute additions as late as Thursday, Jan. 20.

Can you confirm or deny the following:

At this point, I'm hearing that President Clinton would like to maintain the
same commitment to Universal Savings Accounts.

Additionally, I'm hearing the President would like to increase the earned income tax credit, and eliminate penalties for contributions made to 401(k) or other defined contribution retirement plans.

Last, I'm hearing that the administration is concerned about the number of folks with low-balances cashing out of their retirement plans. I've heard the White House might be in favor of permitting employers to automatically roll worker's retirement money into IRAs so that the cash-out rate can decline. I've also heard that the administration may be pushing the Internal
Revenue Service to clarify its stance on the administrative fees employers charge departed workers who leave their money in the existing plan.

Are there any other points or issues I should be aware of?

Thanks in advance for your assistance.

Regards,
Clifton Linton
Writer, 401Kafe.com, mPower Inc.
415-365-7670
clinton@401kforum.com

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mark A. Kitchens (CN=Mark A. Kitchens/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:18-JAN-2000 10:11:07.00

SUBJECT: Re: Retirement questions from 401Kafe.com

TO: clinton@401kforum.com (clinton@401kforum.com [WHO])
READ:UNKNOWN

TEXT:
Cliff,

After reading your questions, it might be best for you to contact Patrick Dorton in the National Economic Council. Patrick is their press guy.

If he can address any of the below questions, i'm sure he would be more than happy to help out. You can reach him at 456-5634.

Clifton Linton <clinton@401kforum.com>
01/14/2000 07:57:43 PM
Please respond to clinton@401kforum.com
Record Type: Record

To: Mark A. Kitchens/WHO/EOP
cc:
Subject: Retirement questions from 401Kafe.com

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Thanks in advance for your assistance.

Regards,
Clifton Linton
Writer, 401Kafe.com, mPower Inc.
415-365-7670
clinton@401kforum.com