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Federal Report: The Word From Washington

- The “Lay of the Land”
- Update on Current Issues
- New Legislative Initiatives
- New Challenges



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“Lay of the Land”

- New Administration, New Congress
- Personnel Changes of Note
- Treasury Staffing Issues
- Supporter Unease
- Continued Scrutiny of Public Plans



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New Administration, New Congress

- **Obama: A Mandate or a Mad Dash?**
- **GOP “Nancy Reagan” Response: Just Say No**
- **Ambitious Agenda: Mission Impossible?**
- **Bipartisanship Still Necessary**



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Personnel Changes of Note

- Kayla Gillan – Senior Advisor to SEC Chair
- Phyllis Borzi – Asst. Sec. of Labor
- Key Ways and Means Pension Staffer Retires
- Pension Vacancy Continues on Senate Finance



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Treasury Staffing Issues

- Benefits Tax Counsel
- Asst. Sec. for Tax Policy

Supporter Unease

- Media Reports on Funding Impact
- Investment Return Assumptions



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Continued Scrutiny of Public Plans

- GAO Study of Investment Strategies
- GAO Study of 403(b), 457 Fees
- GAO Study of Expanding Plan Coverage



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Current Issues Update

- New IRS Schedules – Under-withholding Issue
- IRS Govt. Plans Compliance Initiative, Survey
- Normal Retirement Age Regulations
- MVL/GASB
- 3% Non-wage Withholding



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New IRS Withholding Schedules

- “Making Work Pay” Tax Credit – not for pensions
- New Schedules Will Produce Under-withholding
- Problem for Many Retirees in April, 2010
- Timing Could Not Be Worse



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IRS Govt. Plans Compliance Initiative, Survey

- Cart in Front of Horse -- Guidance Needed First
- Pilot Surveys to 25 Plans – 250 More to Follow
- IRS Public Report Based on Findings
- Enforcement to Follow
- Precursor to PERISA?



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Normal Retirement Age Regulations

- Final Regulations: No Normal Retirement Before Age 55; Cannot be Conditioned on Years of Service
- 2 Year Extension – 2011
- NCTR Seeking Withdrawal of Regs
- Should Defer to Applicable State, Local Laws



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MVL/GASB

- American Academy of Actuaries Deferral to Actuarial Standards Board
- Impact of Mark-to-Market Controversy
- GASB Begins Multi-Year Review of Accounting Standards
- Issue Still Alive



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3% Non-wage Withholding

- States and Most Local Govts Must Withhold 3% on Non-wage, Non-pension Payments
- 2011 Effective Date Postponed One Year
- NCTR Seeking Repeal; New IRS Regs Could Help



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New Legislative Initiatives

- HELPS II
- Ackerman Bill
- Lehman Bonds Bill
- TARP Assistance for Local Govts
- Emergency Retiree Health Benefits Protection



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HELPS II (H.R. 1413)

- Extends \$3,000 Retiree Health Benefit to All Public Employees, Not Just Public Safety
- Removes Pension Plans From Admin. Role
- Credit, Not Exclusion; Indexed; Based on Normal Retirement “Date,” Not Age
- Cost Still an Issue
- Right Message for Public Pensions to Send?



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Ackerman Bill (H.R. 710)

- “Public Pension Bank Capital Infusion Funds”
- Restricted to Investments in TARP Banks
- 8.5% Federally-Guaranteed Return for 1st year;
3-year Lock-Up; \$50 Billion Cap per Fund
- Only Available to Public Plans
- Perceived as Needed “Bailout”?
- Other Public/Private Proposals



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Lehman Bonds Bill (H.R. 467)

- Requires Secretary of the Treasury to Purchase Lehman Bonds from State, Local Governments at Face Value

TARP Assistance for Local Govts (S. 116)

- Requires Treasury to Allocate \$10 Billion of TARP Funds to Local Governments that have suffered losses, such as with Lehman, WAMu



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Emergency Retiree Health Benefits Protection (H.R. 1322)

- Prohibits Employers Who Currently Provide Retiree Health Benefits From Reducing These Benefits for Retirees
- Doesn't Apply to Public Employees
- Model for States to Follow?



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New Challenges

- Financial Markets Reform
- New Stimulus Proposals/Opportunities
- Retirement Security Reform



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Financial Markets Reform

- Corporate Governance Opportunities
- Federal “Legal List” Threats
- Who Speaks for Public Plans?



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New Stimulus Proposals /Opportunities

- Public/Private Partnerships
- Infrastructure Investment Bank
- Implications of Federal Govt as Shareowner



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Retirement Security Reform

- Obama: Auto-IRAs? Universal 401(k)s?
- Congress: “Fix” the DC Model or Start Over?
- Social Security Reform: Mandatory Coverage?
- What about the DB Model: Retirement USA?
- What is the Role of Public Plans in this Debate?