



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 16, 2004

H.R. 4657

District of Columbia Retirement Protection Improvement Act of 2004

As ordered reported by the House Committee on Government Reform on July 21, 2004

SUMMARY

H.R. 4657 would transfer assets designed to provide pension benefits that are currently held in two federal trust funds for certain District of Columbia (D.C.) teachers, police officers, and firefighters to a newly created trust fund. (The two existing trust funds would be dissolved.) Like the two current funds, the new trust fund would be maintained and administered by the Department of the Treasury. Because the bill only directs the intragovernmental transfer of government assets and does not change benefits paid from those accounts, CBO estimates H.R. 4657 would have no net effect on the federal budget.

H.R. 4657 contains no intergovernmental or new private-sector mandates as defined by the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates H.R. 4657 would have no net effect on the federal budget because all the transactions that would take place under the bill would be intragovernmental in nature.

BASIS OF ESTIMATE

As part of the Balanced Budget Act of 1997 (BBA), the federal government assumed the assets and liabilities of the pension system for the District of Columbia's teachers, police officers, and firefighters. As part of the BBA, two separate accounts were established within the Treasury to cover all pension benefits that had accrued to this pension system as of June 30, 1997. The first account, the District of Columbia Federal Pension Liability Trust Fund, received \$3.2 billion in assets held by the D.C. Pension Board. This fund will be used

to pay benefits until its assets are exhausted, which CBO projects will occur in 2008. At that time, benefits will be paid from the Federal Supplemental District of Columbia Pension Fund. This fund is currently receiving annual payments from the Treasury of about \$270 million, which is designed to amortize the plan's unfunded liability.

Under H.R. 4657, all assets held by the two existing trust funds (which amounted to \$3.7 billion at the end of 2003) would be transferred to a newly created account, the District of Columbia Teachers, Police Officers, and Firefighters Federal Pension Fund. (The two existing trust funds would then be dissolved.) Amortization payments for the pension program's unfunded liability would be deposited into the new fund and retirement benefits would be paid out of it. Neither the amortization payments nor the benefit payments would be affected by the legislation. As with the existing trust funds, the Treasury Department would be responsible for maintaining the new fund and paying benefits to participants within the pension plan. Because all transfers directed by H.R. 4657 would be intragovernmental in nature, CBO estimates this provision would have no net effect on the federal budget.

H.R. 4657 also would codify certain appeal rights of those covered by the District of Columbia Judicial Retirement and Survivors Fund—another part of the District's pension system assumed by the federal government. Participants in this pension plan are already granted appeal rights through regulation, and therefore, CBO expects this change would have no effect on the federal budget.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4657 contains no intergovernmental or new private-sector mandates as defined by UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Geoffrey Gerhardt
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis