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Probe Finds IBM Altered Document

Treasury Inspector General Investigating Paper on Pensions

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International Business Machines Corp. lobbyists, possibly with the aid of Treasury Department officials, illegally altered an internal Treasury document during a debate on pension policy last fall, the Treasury's acting inspector general has concluded.

Dennis S. Schindel, the acting inspector general, told the House Financial Services oversight subcommittee Wednesday that his office's probe of the incident should be finished in two months. "We want to be sure that we have covered all aspects -- there are several aspects of this investigation involving IBM employees, lobbyist employees and Treasury employees," he added.

Schindel indicated that some participants in the case might face prosecution. "That issue is something we're still vetting with the U.S. attorney's office," he said.

The document in question was a list of "talking points" in opposition to an amendment that Rep. Bernard Sanders (I-Vt.) offered last year to bar the Treasury from working on any regulations contrary to an Illinois judge's finding that cash balance plans violate federal age-discrimination laws. Sanders's amendment was adopted.

IBM's role became public last fall. The company said then and yesterday that it didn't alter the substance or wording of the document, which was headlined "Treasury strongly opposes the Sanders amendment to the Transportation/Treasury appropriations bill," but simply reformatted it to make it clear that it had come from the department.

The company thought "we were distributing a public document that we understood was widely distributed by Treasury," IBM spokeswoman Kendra Collins said yesterday. "IBM has cooperated fully with the Treasury Department."

Treasury took no public position on Sanders's amendment. Treasury Secretary John W. Snow told a Financial Services Committee hearing in September that he knew of no authorized "talking points" on the amendment and intended to "look into" the matter.

Sanders said it was his understanding that the inspector general's probe may implicate the Treasury's benefits tax counsel as possibly having aided IBM. Schindel said only, "We are continuing to look into" possible involvement of Treasury officials.

The benefits tax counsel, a post in the Treasury's Office of Tax Policy, is William F. Sweetnam Jr.

Treasury spokeswoman Tara Bradshaw said yesterday the matter "is currently under investigation by the IG. I am unable to comment at this time." She said Sweetnam would not be available to comment.

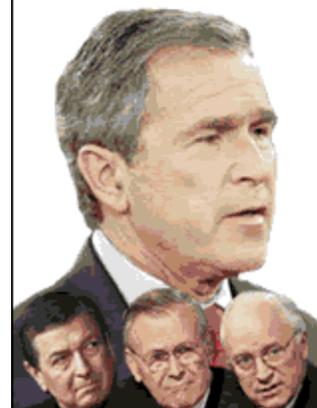
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Cash balance plans have become increasingly popular with employers in recent years. They tend to benefit short-tenured workers better than traditional pensions, but can result in smaller pensions for long-serving workers. However, older workers, who fear they will not get the pensions they expected, have brought a number of discrimination suits.

Most of those suits have been rejected, but IBM's workers scored a victory last year in the Illinois case. That ruling is on appeal, but IBM and other employers have been pressing the Treasury and Congress to clarify that cash balance plans do not violate federal law.

The department did issue regulations to that effect, but has withdrawn them. The administration proposed legislation earlier this year that it said would allow cash balance plans while protecting older workers. That is pending.

Sanders has a large number of IBM employees among his constituents and has been an outspoken opponent of cash balance plans. "It is bad enough that the Bush administration is publicly siding with major corporations who are trying to cut back on the pensions that their workers were promised," Sanders said in a statement yesterday. "It is an outrage that, from what we understand, a staff member in the Treasury Department illegally colluded with one of these corporations (IBM) to try to defeat a pro-worker amendment that I successfully offered which protects the pensions of millions of employees."

Staff writer Kathleen Day contributed to this report.

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