I of the Workforce Investment Act of 1998 and the Wagner-Peyser Act
OMB Number: 1205–0398.
Affected Public: The State Plan will be submitted by 50 States, the District of Columbia, Guam, the Commonwealth of Puerto Rico, and Unites States Virgin Islands. There are no special circumstances that require the collection of information to be conducted in a manner inconsistent with 5 CFR 1320.8.
Total Respondents: 54 respondents are expected to submit State Plans by April 1, 2000.
Frequency: Once every five years.
Total Expected Responses: 54 Responses.
Average Time per Response: It is estimated that 50 hour burden per response will be required. There is no experience under WIA to determine estimated burden of 2700 Burden Hours.
Total Burden Cost (capital/startup): 0.
Total Burden Cost (operating/maintaining): 0.
Comments submitted in response to this comment request will be summarized and/or included in the request for Office of Management and Budget approval of the information collection request; they will also become a matter of public record.
Raymond J. Uhalde,
Deputy Assistant Secretary, Employment and Training Administration.
[FR Doc. 99–18679 Filed 7–21–99; 8:45 am]
BILLING CODE 4510–30–P

DEPARTMENT OF LABOR

Employment and Training Administration
[NAFTA–03192A]

Perfection Pad Co., Inc. a/k/a Consolidated Contractors a/k/a New York Pad Co., Buffalo, New York and Bronx, New York; Amended Certification Regarding Eligibility To Apply for NAFTA-Transitional Adjustment Assistance

In accordance with Section 250(A), Subchapter D, Chapter 2, Title II, of the Trade Act of 1974 (19 U.S.C. 2273), the Department of Labor issued a Certification for NAFTA Transitional Adjustment Assistance on June 3, 1999, applicable to workers of Perfection Pad Co., Inc. a/k/a Consolidated Contractors, a/k/a New York Pad Co., located in Buffalo, New York. The notice was published in the Federal Register on June 30, 1999 (64 FR 35186).

At the time of the certification, the Department reviewed the certification of workers of the subject firm. New information received from the company shows that worker separations occurred at the Bronx New York facility of Perfection Pad Co., Inc. when it closed in December, 1998. The workers were engaged in the production of shoulder pads and sleeveheads used by clothing manufacturers.

The intent of the Department’s certification is to include all workers of Perfection Pad Co., Inc. who were adversely affected by increased imports of shoulder pads and sleeveheads. Accordingly, the Department is amending the certification to cover the workers of Perfection Pad Co., Inc., also known as Consolidated Contractors, also known as New York Pad Co., Bronx, New York.

The amended notice applicable to NAFTA–03191 is hereby issued as follows:

All workers of Perfection Pad Co., Inc., also known as Consolidated Contractors, also known as New York Pad Co., Buffalo, New York (NAFTA–3192) and Bronx, New York (NAFTA–3192A) who became totally or partially separated from employment on or after May 17, 1998 through June 3, 2001 are eligible to apply for NAFTA–TAA under Section 250 of the Trade Act of 1974. Signed at Washington, D.C. this 14th day of July, 1999.

Grant D. Beale,
Program Manager, Office of Trade Adjustment Assistance.
[FR Doc. 99–18679 Filed 7–21–99; 8:45 am]
BILLING CODE 4510–30–M

DEPARTMENT OF LABOR

Pension and Welfare Benefits Administration


Proposed Exemptions; Pacific Life Corporation (Pacific Life)

AGENCY: Pension and Welfare Benefits Administration, Labor.

ACTION: Notice of proposed exemptions.

SUMMARY: This document contains notices of pendency before the Department of Labor (the Department) of proposed exemptions from certain of the prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974 (the Act) and/or the Internal Revenue Code of 1986 (the Code).

Written Comments and Hearing Requests

Unless otherwise stated in the Notice of Proposed Exemption, all interested persons are invited to submit written comments, and with respect to the proposed exemptions involving the fiduciary prohibitions of section 406(b) of the Act, requests for hearing within 45 days from the date of publication of this Federal Register Notice. Comments and requests for a hearing should state: (1) The name, address, and telephone number of the person making the comment or request, and (2) the nature of the person’s interest in the exemption and the manner in which the person would be adversely affected by the exemption. A request for a hearing must also state the issues to be addressed and include a general description of the evidence to be presented at the hearing.

ADDRESSES: All written comments and request for a hearing (at least three copies) should be sent to the Pension and Welfare Benefits Administration, Office of Exemption Determinations, Room N–5649, U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, DC 20210. Attention: Application No. stated in each Notice of Proposed Exemption. The applications for exemption and the comments received will be available for public inspection in the Public Documents Room of Pension and Welfare Benefits Administration, U.S. Department of Labor, Room N–5507, 200 Constitution Avenue, NW, Washington, DC 20210.

Notice to Interested Persons

Notice of the proposed exemptions will be provided to all interested persons in the manner agreed upon by the applicant and the Department within 15 days of the date of publication in the Federal Register. Such notice shall include a copy of the notice of proposed exemption as published in the Federal Register and shall inform interested persons of their right to comment and to request a hearing (where appropriate).

SUPPLEMENTARY INFORMATION: The proposed exemptions were requested in applications filed pursuant to section 408(a) of the Act and/or section 4975(c)(2) of the Code, and in accordance with procedures set forth in 29 CFR Part 2570, Subpart B (55 FR 32836, 32847, August 10, 1990). Effective December 31, 1978, section 102 of Reorganization Plan No. 4 of 1978 (43 FR 47713, October 17, 1978) transferred the authority of the Secretary of the Treasury to issue exemptions of the type requested to the Secretary of Labor. Therefore, these notices of proposed exemption are issued solely by the Department.

The applications contain representations with regard to the proposed exemptions which are summarized below. Interested persons are referred to the applications on file.
with the Department for a complete statement of the facts and representations.

Pacific Life Corporation (Pacific Life), Located in Newport Beach, California

[Exemption Application No. D–10257]

Proposed Exemption

The Department is considering granting an exemption under the authority of section 408(a) of the Act and section 4975(c)(2) of the Code and in accordance with the procedures set forth in 29 CFR part 2570, subpart B (55 FR 32836, 32847, August 10, 1990).

Section I—Transactions

(a) If the exemption is granted, the restrictions of sections 406(a), 406(b)(1) and (b)(2) of the Code, and the taxes imposed by section 4975(a) and (b) of the Code, shall not apply:

(1) For the period from January 22, 1993 until August 12, 1998, to the sale by Pacific Life of an “actively-managed synthetic” guaranteed investment contract (Actively-Managed Synthetic GIC) to an employee benefit plan for which Pacific Life was a party in interest with respect to such plan (Plan) in instances where Pacific Life or an Affiliate manages the Plan’s assets relating to the Synthetic GIC (an Affiliated-Manager GIC); and

(2) As of January 22, 1993, to the purchase or retention of the Affiliated-Manager GICs, described in section (a) (1) above, by the Plans and the payments made by Pacific Life to the Plans pursuant to the terms and conditions of the Affiliated-Manager GICs, provided that the general conditions set forth in section II and the recordkeeping requirements set forth in section V below are met.

(b) If the exemption is granted, the restrictions of sections 406(a), 406(b)(1) and (b)(2) of the Code, and the taxes imposed by section 4975(a) and (b) of the Code, shall not apply:

(1) As of January 22, 1993, to the sale by Pacific Life of an Actively-Managed Synthetic GIC to a Plan in instances where the Plan’s assets relating to the Actively-Managed Synthetic GIC are managed by an investment manager which is unaffiliated with Pacific Life and its Affiliates (an Unaffiliated-Manager GIC); and

(2) As of January 22, 1993, to the purchase or retention of the Unaffiliated-Manager GICs, described in section (b) (1) above, by the Plans and the payments made by Pacific Life to the Plans pursuant to the terms and conditions of the Unaffiliated-Manager GICs, provided that the general conditions set forth in section II and the recordkeeping requirements set forth in section V below are met.

Section II—General Conditions

(a) Prior to the sale of an Actively-Managed Synthetic GIC, an independent fiduciary of each Plan receives a full and detailed written disclosure of all material features of the Actively-Managed Synthetic GIC, including all applicable fees and charges;

(b) Following receipt of such disclosure, the Plan’s independent fiduciary approves in writing the purchase of the Actively-Managed Synthetic GIC on behalf of the Plan;

(c) All fees and charges imposed under any such Actively-Managed Synthetic GIC are not in excess of reasonable compensation within the meaning of sections 406(b)(2) of the Act;

(d) Each Actively-Managed Synthetic GIC will specifically provide an objective means of determining the fair market value of the securities owned by the Plan pursuant to the Actively-Managed Synthetic GIC;

(e) Each Actively-Managed Synthetic GIC will specifically provide an objective formula for determining the interest rates to be credited periodically under the Actively-Managed Synthetic GIC;

(f) Pacific Life does not maintain custody of the assets which are the subject of the Actively-Managed Synthetic GIC or commingle those assets with any other funds under its management;

(g) The assets subject to the Actively-Managed Synthetic GIC are invested only in high quality fixed income investments specified in the investment guidelines agreed to, or provided by, the independent fiduciary;

(h) The Plan may, at any time, terminate the Actively-Managed Synthetic GIC;

(i) The fee charged under the arrangement is negotiated between Pacific Life and a Plan fiduciary independent of Pacific Life;

(j) At all times during the term of each Actively-Managed Synthetic GIC, a Plan may elect to receive such lump sum amount equal to the Contract Value Record and shall be entitled to receive a lump sum payment no more than 3 (three) years after making an election which will establish a maturity date;

(k) The Plan may establish a maturity date by notifying Pacific Life in writing of an intent to establish a maturity date.

Each Actively-Managed Synthetic GIC will mature within three (3) years after the Plan notifies Pacific Life of its intent to establish a maturity date; and

(i) Actively-Managed Synthetic GICs are sold only to Plans which have at least $25 million in assets.

Section III—Specific Conditions

(a) With respect to any Affiliated-Manager GIC described in section I (a), Pacific Life will notify a Plan’s independent fiduciary, in writing no later than 30 days prior to the date on which the Credited Rate is to be reset, advising such fiduciary that the Plan may replace Pacific Life or its affiliate as investment manager,1 at no expense to the Plan, when the Credited Rate with respect to any Affiliated-Manager GIC described in section I (a) is expected to be less than three (3) percent at the next reset of the Credited Rate.

Section IV—Retroactive Conditions

(a) At no time between January 22, 1993 and August 12, 1998, was the Credited Rate with respect to any Affiliated-Manager GIC described in section I (a) less than 3% (three percent) per annum; and

(b) At no time between January 22, 1993 and August 12, 1998, did a Plan elect to receive an amount equal to the Contract Value Record pursuant to an Affiliated-Manager GIC described in section I (a).

Section V—Recordkeeping

(a) The Applicant maintains or causes to be maintained for a period of six years from the date of the transaction such records as are necessary to enable the persons described in paragraph (b) of this section V of this proposed exemption, to determine whether the conditions of this exemption have been met, except that: (1) A prohibited transaction will not be deemed to have occurred if, due to circumstances beyond the control of the Applicant or its affiliates, such records are lost or destroyed prior to the end of such six year period; and (2) no party in interest, other than the Applicant or an affiliate, shall be subject to the civil penalty that may be accessed under section 502(i) of the Act, or to the taxes imposed by section 4975(a) and (b) of the Code, if the records are not maintained, or are not available for examination as required by paragraph (b) below.

(b) Notwithstanding anything to the contrary in subsections (a)(2) and (b) of section 504 of the Act, the records

1 Although Pacific Life must approve the new investment manager selected by the Plan, Pacific Life represents that it will not unreasonably withhold such approval.
referred to in paragraph (a) of this section V are unconditionally available at their customary location for examination during normal business hours by:

(i) Any duly authorized employee or representative of the Department of Labor or the Internal Revenue Service;
(ii) any fiduciary of the plan or any duly authorized employee or representative of such fiduciary;
(iii) any participant or beneficiary of the plan or duly authorized representative of such participant or beneficiary;
(iv) any employer of plan participants and beneficiaries; and
(v) any employee organization any of whose members are covered by such plan; and

(2) None of the persons described in paragraph (b)(1)(i) through (v) shall be authorized to examine trade secrets of the applicant, or commercial or financial information which is privileged or confidential.

Section VI—Definitions

For purposes of this proposed exemption:

(A) “Actively-Managed Synthetic GIC” means: a synthetic guaranteed investment contract, which under certain circumstances provides a guarantee that a pool of underlying plan assets which may be managed by Pacific Life, an affiliate of Pacific Life, or an unrelated investment manager, will perform at a specified rate of return.

(B) “Affiliated-Manager GIC” means: an Actively-Managed Synthetic GIC under which Pacific Life guarantees the performance of an unrelated investment manager.

(C) “Unaffiliated-Manager GIC” means: an Actively-Managed Synthetic GIC under which Pacific Life guarantees the performance of an unrelated investment manager.

(D) “Contract Value Record” means: a bookkeeping account maintained by Pacific Life, pursuant to each Actively-Managed Synthetic GIC. Initially, the contract value record will be credited with the value of the investment assets (defined in (f) below), and subsequently with a credited rate of interest (credited rate, defined in (e) below), which shall be reset periodically as agreed to at the inception of the Actively-Managed Synthetic GIC.

(E) “Credited Rate” means: the interest rate credited to the Contract Value Record. The credited rate is reset periodically, in accordance with an objective formula established under the terms of the Actively-Managed Synthetic GIC.

(F) “Investment Assets” means: the underlying portfolio of investment assets, title to which remains with the Plan.

(G) “Managed Portfolio” means: the total of all Investment Assets which comprise the portfolio which is managed by either an Affiliated-Manager or an Unaffiliated-Manager.

(H) “Withdrawals” means: a participant initiated payment or transfer to other investment options available under the Plan.

Effective Date: This proposed exemption, if granted, will be effective for the period from January 22, 1993, until August 12, 1998, for the transactions described in section I(a) and (g). Effective Date: This proposed exemption, if granted, will be effective for the period from January 22, 1993, until August 12, 1998, for the transactions described in section I(a) and (g).

Section I—Summary of Facts and Representations

1. Pacific Life is a life insurance company incorporated under the laws of the State of California. Pacific Life is also registered as an investment adviser under the Investment Advisers Act of 1940. Pacific Life is currently rated as follows: AM Best A+; Standard & Poor’s AA+; Duff & Phelps AA+; and Moody’s Aa3. As of December 31, 1998, Pacific Life had statutory assets of approximately $7.8 billion and net policy reserves of approximately $18 billion. A significant portion of Pacific Life’s business consists of writing insurance and annuity contracts, guaranteed investments contracts, and funding agreements for numerous plans subject to the Act.

2. Pacific Life has requested an exemption with respect to two different Actively-Managed Synthetic GIC products, each of which is a form of traditional guaranteed investment contract (GIC). The first form of Actively-Managed Synthetic GIC, for which relief is proposed in section I(a) of this notice of proposed exemption, is an arrangement under which Pacific Life, or an affiliate, acts as the investment manager, and Pacific Life guarantees the performance of the assets which it, or an affiliate, manages (Affiliated-Manager GIC). In some cases, Pacific Life will appoint an independent sub-advisor to carry out the investment management functions but Pacific Life will remain fully responsible as investment manager of the assets comprising the Actively-Managed Synthetic GIC. The second form of Actively-Managed Synthetic GIC, for which relief is proposed in section I(b) of this proposed exemption, is an arrangement under which Pacific Life guarantees the performance of an unrelated investment manager (Unaffiliated-Manager GIC). Pacific Life represents that it has not sold Affiliated-Manager GICs to Plans after August 12, 1998. Since January 23, 1993, Pacific Life sold both forms of the Actively-Managed Synthetic GICs to defined contribution plans. Pacific Life represents that it will continue selling the Unaffiliated-Manager GIC to defined contribution plans.

3. Pacific Life’s duties and obligations with respect to each Actively-Managed Synthetic GIC are governed by terms of an insurance contract or investment management agreement (the Contract) between the Plan and Pacific Life. The principal difference between the two forms of the Actively-Managed Synthetic GIC products is the nature of the Contract. Under the Unaffiliated-Manager GIC, where Pacific Life is guaranteeing the performance of an unrelated investment manager, Pacific Life’s obligations and the Plan’s rights will be embodied in a single contract of insurance. Under the Affiliated-Manager GIC, where Pacific Life, or a related or unrelated sub-adviser appointed by Pacific Life, is responsible for the investment management of the Managed Portfolio, the rights and obligations of the parties will derive primarily from the investment management agreement between Pacific Life and the Plan. Secondly, the rights and obligations of the parties pursuant to the Affiliated-Manager GIC will be established in a contract of insurance guaranteeing the performance of Pacific Life, or the sub-adviser, in its capacity as Investment Manager.

4. Both forms of Pacific Life’s Actively-Managed Synthetic GICs provide that all employee initiated benefit payments and transfers to other investment options (collectively, Withdrawals) will be paid at an amount equal to the Contract Value Record (see paragraph 10 below for a description of the Contract Value Record). Since such Withdrawals are paid at the Contract Value Record, participants will not recognize a loss when they initiate a Withdrawal at a time when the fair
market value of the Investment Assets comprising the Plan’s Managed Portfolio has declined to a level below the Contract Value Record. Pacific Life represents that Plans will typically purchase the Actively-Managed Synthetic GIC because it will allow the Plans to use book value accounting and, thus, account for the value of the accounts of participants without regard to fluctuations in the fair market value of the Investment Assets which result from changes in interest rates.

5. Pacific Life represents that each Actively-Managed Synthetic GIC provides purchasers with the advantages of a traditional GIC, while providing greater security than a traditional GIC. Unlike a traditional GIC, the title to the Investment Assets at all times remains with the Plan. For this reason, it is represented that Synthetic GICs provide greater security to Plans because the assets held in the Managed Portfolio are not subject to the claims of an insurance company’s general creditors in the event that the insurance company becomes insolvent. Pacific Life represents that it will negotiate the terms of each Actively-Managed Synthetic GIC with an independent fiduciary of a Plan, which is generally expected to be the Plan’s named fiduciary and not an independent investment professional.

6. Both the Affiliated-Manager GIC and Unaffiliated-Manager GIC provide the same economic benefits to a Plan. The mechanical operation of Pacific Life’s obligations (other than as an investment manager), under each form of the Actively-Managed Synthetic GIC is the same. In each case, the Contract is issued pursuant to applicable state law and is subject to the jurisdiction of the appropriate State Department of Insurance. The representations made by Pacific Life in respect of the Actively-Managed Synthetic GIC herein apply equally to both the Affiliated-Manager GIC and Unaffiliated-Manager GIC.

7. While certain terms and conditions of each Contract will be negotiable by the Plan and Pacific Life, once the Contract has been executed, Pacific Life will have no discretion over any of the terms. Each Actively-Managed Synthetic GIC is issued by Pacific Life in the ordinary course of its business. Pacific Life represents that it will not sell Actively-Managed Synthetic GICs to Plans which do not have at least $25 million in assets.

8. Each Actively-Managed Synthetic GIC will consist of two components. One component is the underlying portfolio of Investment Assets, title to which will remain with the Plan. The underlying Investment Assets will be securities issued or guaranteed by the Federal government or an instrumentality thereof, or other investment grade debt securities whose value is readily determinable and which can thus be objectively valued. The Investment Assets will not come under Pacific Life’s administration or control, unless the Plan chooses Pacific Life as the investment manager of the Managed Portfolio by purchasing an Affiliated-Manager GIC. Even where Pacific Life is the investment manager, legal title to the Managed Portfolio, including all principal, interest, dividends and distributions on the Investment Assets in the Managed Portfolio, at all times remains with the Plan. The performance of such Investment Assets will affect the second component of each Contract.

The second component under each Actively-Managed Synthetic GIC will be an accounting record established by Pacific Life to record the Plan’s interest under the Actively-Managed Synthetic GIC. This accounting record is called the Contract Value Record and it is the amount available to Plan participants in the event they elect to withdraw funds pursuant to the provisions of the Plan.

9. Under the Actively-Managed Synthetic GIC, a named fiduciary independent of Pacific Life will select an investment manager with respect to that portion of the Managed Portfolio as is agreed upon by that independent fiduciary and Pacific Life. On or before August 12, 1998, the named fiduciary independent of Pacific Life may have selected Pacific Life or one of its affiliates as investment manager. The investment manager will manage the Managed Portfolio in accordance with investment objectives and guidelines established at the inception of the Contract and described therein. It is represented that, among other things, these guidelines are intended to assure that the Managed Portfolio is invested prudently and requires that the Managed Portfolio be adequately diversified among the class of investments available.

10. As discussed in paragraph 8 above, under each Contract, Pacific Life will maintain a Contract Value Record for the Investment Assets in the Managed Portfolio. The Contract Value Record will be initially credited with an amount equal to the value of the Investment Assets at the inception of the Contract. Thereafter, the Contract Value Record will be credited with a rate of interest (i.e., the “Credited Rate”) that will be reset periodically, (e.g., quarterly, semi-annually, or annually), in accordance with a formula established under the Contract and agreed upon by an independent plan fiduciary. Once the Contract is executed, no element of the formula which sets the Credited Rate, or the intervals at which the Credited Rate is reset, is within Pacific Life’s discretion. All principal and interest payments from the Investment Assets will be reinvested back into the Managed Portfolio and stay within the Contract. The Credited Rate will take into account these additional accruals. Also, the Credited Rate applied to the Contract Value Record will be responsive to fluctuations in the Market Value of the Managed Portfolio (see paragraph 21 for an explanation as to the determination of Market Value).

11. Pacific Life represents that one of the attractive features of the Actively-Managed Synthetic GIC to a Plan is that Pacific Life assumes certain obligations with respect to the availability of funds for benefit withdrawals and the return on the Managed Portfolio. Mechanically, this is accomplished through the establishment of, and adjustments to, the Contract Value Record. As discussed in paragraph 10 above, the Contract Value Record reflects a guarantee of principal and the crediting of interest at periodically determined Credited Rates, pursuant to the formula established in the Contract. The Credited Rate of interest will equal the rate necessary to assure that, if the Managed Portfolio earns the rate of return anticipated, the value of the Managed Portfolio will equal the Contract Value Record after a predetermined amortization period. The length of the amortization period will be negotiated at arms length between Pacific Life and the Plan’s independent fiduciary. Thus, for any Actively-Managed Synthetic GIC, the initial Credited Rate is equal to the expected rate of return on the Managed Portfolio. For all purposes under the Contract, the expected return on the Managed Portfolio is calculated by the Plan’s trustee or another fiduciary acting on behalf of the Plan with the concurrence of Pacific Life.

It is represented that a party independent of Pacific Life, which will be the investment manager in circumstances where Pacific Life or an affiliate is not the Manager, or the trustee of the Plan in circumstances where Pacific Life is the investment manager, will determine the expected future rate of return on the Investment Assets assuming that those assets were held until maturity. Pacific Life represents that it will accept the expected rate of return calculations of the independent party without mathematical error. It is represented that Pacific Life will calculate the
experience-rated contract (Experience-Rated Contract) and the non-experience-rated contract (Non-Experience Rated Contract), all participant initiated benefit Withdrawals will be paid at Contract Value. However, under an Experience-Rated Contract, Pacific Life will not compensate the Plan for any loss resulting from a benefit responsive Withdrawal which is effected at a time when the Market Value of the Investment Assets is less than the Contract Value. Pursuant to a Non-Experience Rated Contract, if benefit responsive Withdrawals are made when the Contract Value of the Investment Assets is greater than the Market Value of the Investment Assets, a reserve account is established (as discussed in paragraph 15 below) and Pacific Life will compensate the Plan in the event that, at maturity, the Contract Value plus the Reserve Account exceeds the Market Value of the Investment Assets.

Pacific Life represents that, when investing in synthetic GICs, some Plans are less concerned about protection against market losses due to benefit responsive Withdrawals, primarily because such Plans have sufficient cash flow, in the form of new additional cash investments by participants on an ordinary basis to avoid the need to liquidate Investment Assets to meet benefit responsive Withdrawals. Pursuant to an Experience-Rated Contract, Withdrawals are paid from the inflow of new contributions and other amounts received by the Plan (Cash Resources). Pacific Life represents that typically very large Plans, with more than sufficient Cash Resources to cover Withdrawals without a need to sell any of the Investment Assets, are potential purchasers of an Experience-Rated Contract. Since Pacific Life's risk exposure is lower in the context of an Experienced-Rated Contract because it will have no exposure related to benefit responsive Withdrawals, the charges associated with such a contract will be less. Accordingly, to reduce expenses for a Plan that has sufficient Cash Resources, a Plan's fiduciary may select an Experience Rated Contract.³ Plans fiduciaries that do not believe they have sufficient Cash Resources to cover participant Withdrawals may anticipate the need to liquidate Investment Assets and, for this reason, such Plans would be expected to purchase a Non-Experience Rated Contract. The Non-Experience Rated Contract has higher charges associated with it, because Pacific Life assumes a greater obligation to the Plan.

15. Plans purchasing the Contracts are advised that the calculation of the future Credited Rates, and the benefit risk charge payable by the Plan to Pacific Life, will differ between Experience and Non-Experience Rated Contracts. Under a Non-Experience Rated Contract, any benefit responsive Withdrawal made under the Actively-Managed Synthetic GIC will have no impact on the Credited Rate. After each Withdrawal, Pacific Life will add to or subtract from the Managed Portfolio's market value record a notional amount (the Reserve Account) to maintain, solely for bookkeeping purposes, the percentage difference between the Market Value and Contract Value Record at their pre-withdrawal levels. The Reserve Account is ongoing and will be in effect until the Contract terminates. Additions to the Reserve Account will be made when benefit Withdrawals occur and the Market Value of the Managed Portfolio is less than Contract Value Record. Alternatively, subtractions from the Reserve Account will be made when benefit Withdrawals are made and the Managed Portfolio's Market Value is greater than the Contract Value Record.

If a Plan elects to receive a payment of the Contract Value Record at contract maturity, any balance in the Reserve Account will earn the market rate of return earned on the Managed Portfolio. A positive balance credited to the Reserve Account when the Contract is terminated will be paid to the Plan. (See paragraph 16 below for a more detailed explanation). The Plan will not be obligated to pay Pacific Life any debit in the Reserve Account. This is the benefit Withdrawal risk that Pacific Life will be responsible for under an Experience-Rated Contract.
assuming under a Non-Experience Rated Contract.

However, the benefit Withdrawal activity of an Experience-Rated Contract will affect the future Credited Rate calculation and no Reserve Account will be maintained for such Contracts. If a benefit Withdrawal is made from the Contract at a time when the Market Value of the Managed Portfolio is less than the Contract Value Record, the Credited Rate at its next reset date will be lower to reflect the effect of the Withdrawal. On the other hand, at the next following reset date, the Credited Rate will be increased in the event that a Withdrawal is made at a time at which the Market Value of the Managed Portfolio exceeds the Contract Value Record. In this regard, in an Experience-Rated Contract, the Credited Rate of interest from and after such benefit Withdrawals will be reset taking into account the positive or negative effect of such Withdrawal on the value of the Investment Assets. Thus, the Plan will assume the risk of loss or gain of such Withdrawals (and be benefitted by any gains related thereto) by receiving a lower (or higher) Credited Rate on the Contract Value Record on a going forward basis. This enables the Plan to still receive the benefit of book value accounting, as all Withdrawals are still effected at book value, but enables it to avoid the cost of having Pacific Life assume the additional risk associated with such Withdrawals.

16. A Plan’s fiduciary may at any time elect to terminate the arrangements pertaining to the Actively-Managed Synthetic GIC and thereby cause the investment of the Managed Portfolio to be transferred to the Plan’s trustee or another investment manager, without restriction. This election is called a market value payment (Market Value Payment). The Plan would generally be expected to elect such a Market Value Payment only in circumstances where the Market Value of the Managed Portfolio exceeds the balance then credited to the Contract Value Record. If a Plan were to elect a Market Value Payment, Pacific Life will be relieved of any potential obligation to make a payment in an amount equal to the amount of the Contract Value Record. Such payment of the Contract Value Record is referred to as a “Contract Value Payment,” as described below. A Market Value Payment, if elected, consists in essence of the total return of the Investment Assets of the Managed Portfolio to the Plan. Any excess of the Market Value of the Managed Portfolio over the balance in the Contract Value Record belongs exclusively to the Plan. The only cost to a Plan electing to receive a Market Value Payment would be an early termination fee, which would be payable only if the Plan makes such election prior to the end of the minimum term for which it agrees to keep the agreement in effect. This termination fee and minimum term will be negotiated by the Plan and Pacific Life at the inception of the Contract. Pacific Life represents that the minimum term is typically one (1) year and the termination fee generally equals Pacific Life’s cost of establishing the Actively-Managed GI Contract. It is further represented that for Contracts involving the investment of $50 million or more, it will waive any such early termination fee. The purpose of the early termination fee is to assure that Pacific Life recovers the costs it will incur in implementing the Actively-Managed Synthetic GIC for a Plan which elects the Market Value Payment.

Alternatively, the Plan’s fiduciary may at any time elect to receive a Contract Value Payment, if it thinks such an election would provide the Plan a better return. A Contract Value Payment takes the form of a single payment to be made at a date at which the Contract will mature following such an election (the Maturity Date), which date will be agreed to by Pacific Life and the Plan at the commencement of the Contract. The time between the date the fiduciary gives notice of its intent to terminate the Contract and the Maturity Date is generally equal to the time of the amortization period assumed in the Credited Rate calculation (see paragraph 12 above). It is represented that the amortization period will not be more than three years. As a result, following the provision of notice of an election to terminate the contract and receive a Contract Value Payment, the Plan must wait six months before the Plan would have to wait for the Contract Value Payment is three years. Any payment that Pacific Life will have to make to support the Contract Value Payment will be in an amount equal to the excess on the Maturity Date of (i) the balance in the Contract Value Record plus the balance in the Reserve Account over (ii) the Market Value of the Managed Portfolio.

17. If a Plan elects to receive a Contract Value Payment, new investment guidelines and objectives will be set, to be effective for the remainder of the Contract term, under which either (i) the average duration of the assets in the Managed Portfolio will generally be six months less than the scheduled payment date until one year prior to the payment date, and thereafter generally one-half of the remaining period until the scheduled payment date, or (ii) the Managed Portfolio will be required to be invested in Treasury Bonds maturing on or before the scheduled payment date. To effect a Contract Value Payment, Pacific Life must receive written notice, signed by the Plan’s independent fiduciary, of their acceptance of the revised investment objectives and guidelines.

18. In making the choice as to which form of termination distribution it wants upon the maturity of an Actively-Managed Synthetic GIC, a Plan’s fiduciary will compare the Market Value of the Investment Assets as determined by its duly appointed custodian to the dollar amount credited to the Contract Value Record. Pacific Life, as issuer of the Contract, will have no involvement in valuing the Managed Portfolio. Moreover, at any time after having given Pacific Life notice of an election to receive a Contract Value Payment, the Plan may elect to receive a Market Value Payment instead. Thus, if the Market Value of the Managed Portfolio increases to the advantage of the Plan after the Plan has made a Contract Value Payment election, the Plan has the right to reverse such election and immediately terminate the Contract. As with any election of a Market Value Payment, Pacific Life will thereafter have no further obligation with respect to any Contract Value Payment.

19. Pacific Life represents that it believes that each Actively-Managed Synthetic GIC is superior to traditional GICs in that each Actively-Managed Synthetic GIC serves the dual functions of: (a) Affording a Plan substantially greater protection against the risk that it will lose its principal investment; and (b) providing the Plan with an opportunity for a greater rate of return than a traditional GIC.

In the case of an Actively-Managed Synthetic GIC, an investment manager will invest the Managed Portfolio within the parameters of the pre-established investment guidelines. The Plan’s trustee holds title to assets in the Managed Portfolio. Any appreciation in the value of the Managed Portfolio would be paid to the Plan in a market value payment, as described below. A Market Value Payment will not be deemed to have been requested if a Plan fiduciary, pursuant to the condition of the exemption proposed herein for Affiliated-Manager GICs, elects to replace Pacific Life or an affiliate of Pacific Life as investment manager, when the Credited Rate of interest under such Contract falls below three (3) percent.

However, a Market Value Payment will not be deemed to have been requested if a Plan fiduciary, pursuant to the condition of the exemption proposed herein for Affiliated-Manager GICs, elects to replace Pacific Life or an affiliate of Pacific Life as investment manager, when the Credited Rate of interest under such Contract falls below three (3) percent.

Pacific Life acknowledges that circumstances which would cause the recovery of the Market Value to the extent that it would exceed the Contract Value, after a request for a Contract Value Payment is made, would be unlikely to occur given the short amortization period and the implementation of the restrictive investment guidelines provided for under the Contract.
A benefit risk charge, determined at the inception of such as the Plan’s trustee. Determined by the Plan’s independent fiduciary; (h) the Plan may make its records pertaining to the Contract. Upon written request from a Plan, Pacific Life will also make its records pertaining to the Actively-Managed Synthetic GICs available during normal business hours for audit by independent certified public accountants hired by the Plan’s fiduciary.

The applicant makes the following representation with respect to the valuation of assets under the Actively-Managed Synthetic GIC. The time at which the value of the Investment Assets is relevant to Pacific Life’s obligations is at the time of any Withdrawal, including upon termination of the entire arrangement. At such time, the Market Value of the Investment Assets will be based on the last quoted sales price on the valuation date on a national securities exchange. With regard to any other security or asset which is not listed on a national securities exchange, its value will be determined by the Plan’s independent investment manager or another fiduciary acting on behalf of the Plan, such as the Plan’s trustee.

Pacific Life and the Plan’s fiduciary will agree to an expense charge, determined at the inception of the Contract, payable to Pacific Life with respect to each Actively-Managed Synthetic GIC that will be stated as a fixed percentage of the market value of the Managed Portfolio. This charge covers four elements: (a) A benefit risk charge, (b) a maturity risk charge, (c) an expense charge and (d) a profit charge. The benefit risk charge is the component of the fee attributable to Pacific Life’s risk of loss associated with payments Pacific Life will be obligated to make at the benefit responsive Withdrawal feature provided for under the Contract. The benefit risk charge will be developed on a Plan specific basis after a review of the Plan’s benefit payment cash flow history and the structure of the Plan itself—that is, the frequency at which Withdrawals and investment transfers are permitted, and the structure of alternative investment opportunities. Since the Credited Rate for Non-Experience Rated Synthetic GICs is not responsive to benefit Withdrawal activity, the benefit risk that Pacific Life assumes from Non-Experience Rated Contracts is higher than for Experience Rated Contracts. Consequently, the benefit risk charge will be higher for Non-Experience Rated Contracts based on an evaluation of the Plan’s Withdrawal and transfer possibilities.

The maturity risk charge component of the fee will be based on a review of the potential volatility of the Managed Portfolio. This assessment of the potential volatility will be based on a thorough review of the investment guidelines which will be applied to the Managed Portfolio. If Pacific Life feels that the potential volatility is too high to properly manage the maturity risk, the portfolio will not be approved for a Actively-Managed Synthetic GIC. The expense and profit charges component of the fee will be assessed based on the expected expenses related to the arrangement and the payment to Pacific Life of a reasonable profit. The expense charge will be based on an annual rate to be determined by negotiations between Pacific Life and the Plan’s fiduciary at the inception of the Contract and stated as a fixed percentage and multiplied by the value of the Managed Portfolio, determined pursuant to a fixed formula under the Actively-Managed Synthetic GIC. Such negotiated charge would remain in effect for the initial period until maturity agreed to by the Plan and Pacific Life, subject to Pacific Life’s ability to make changes to such charge upon 30 days’ advance written notice if and solely to the extent that there has been a material change to the provisions or administration of the Plan which adversely affects Withdrawals from the Contract, or another action by the Plan’s sponsor which results in significant Withdrawals from the Contract, such as, but not limited to, plant closing, divestitures, a partial plan termination, bankruptcy, or early retirement incentive programs. Based on its review of competitive practices, Pacific Life represents that the aggregate charges with respect to each of the Actively-Managed Synthetic GICs are, and are expected to continue to be, comparable to the charges made by other Actively-Managed Synthetic GIC providers.

Pacific Life represents that to date, Actively-Managed Synthetic GICs have been purchased by numerous Plans, with the first such purchase occurring on January 22, 1993. Pacific Life has accordingly requested that the exemption proposed herein be made retroactive to that date. Pacific Life represents that it entered into the previously issued Actively-Managed Synthetic GICs with the good faith belief that the transactions involved therein were, to the extent they constituted prohibited transactions, exempted by Prohibited Transaction Exemption 84-24 (PTE 84-24, 49 FR13208, April 3, 1984). However, because Pacific Life is unable to conclude affirmatively that the Actively-Managed Synthetic GICs constituted insurance contracts within the meaning of PTE 84–24, Pacific Life has requested the exemption proposed herein.

In summary, the applicant represents that the subject transactions satisfy the criteria contained in section 408(a) of the Act because: (a) The Actively-Managed Synthetic GIC will be made on behalf of the Plan by a fiduciary of the Plan who is independent of Pacific Life, after receipt of full and detailed disclosure of all material features of the Contract, including all applicable fees and charges; (b) following receipt of such disclosure, the Plan’s independent fiduciary approves in writing the execution of the Actively-Managed Synthetic GIC on behalf of the Plan; (c) all fees and charges under the Actively-Managed Synthetic GICs are reasonable; (d) each Actively-Managed Synthetic GIC will specifically provide for an objective means for determining the market value of the securities owned by the Plan pursuant to the Actively-Managed Synthetic GIC; (e) each Actively-Managed Synthetic GIC will specifically provide for an objective means for determining the Credited Rate under the Actively-Managed Synthetic GIC; (f) Pacific Life does not take possession of the assets which are the subject of the Actively-Managed Synthetic GIC or commingle those assets with any other funds under its management; (g) the assets subject to the Actively-Managed Synthetic GIC are invested only in high quality fixed income instruments specified in the investment guidelines provided to the independent fiduciary; (h) the Plan may choose at any time to terminate the Actively-Managed Synthetic GIC and receive the Market Value of the
Managed Portfolio: (i) An Affiliate-Managed GIC Contract provides that a Plan may replace an Affiliate-Manager GIC with an Unaffiliated-Manager GIC if the Credited Rate for the next reset will be three (3) percent or less; (j) the Plan may receive a Contract Value Payment no more than three (3) years after electing a Maturity Date; (k) the fee charged for the combination of services is negotiated between Pacific Life and a Plan fiduciary independent of Pacific Life; (l) Pacific Life will maintain books and records of all transaction which will be the subject to annual audit by independent certified public accountants selected and responsible solely to the Plan; and (m) Affiliated-Manager GICs were not sold to Plans by Pacific Life after August 12, 1998; and (n) the Actively-Managed Synthetic GICs will only be marketed to Plans which have at least $25 million in assets.

For Further Information Contact: Janet Schmidt of the Department, telephone (202) 219-8883. (This is not a toll-free number.)

The Manufacturers Life Insurance Company (Manulife), Located in Toronto, Canada

[Application No. D–10738]

Proposed Exemption

Based on the facts and representations set forth in the application, the Department is considering granting an exemption under the authority of section 408(a) of the Act and in accordance with the procedures set forth in 29 CFR Part 2570, Subpart B (55 FR 32836, 32847, August 10, 1990). 9

Section I. Covered Transactions

If the exemption is granted, the restrictions of section 406(a) of the Act and the sanctions resulting from the application of section 4975 of the Code, by reason of section 4975(c)(1)(A) through (D) of the Code, shall not apply, to (1) the receipt of common stock (the Common Shares) of Manulife Financial Corporation, a newly-formed company that will be the holding company (the Holding Company) for Manulife; or (2) the receipt of cash or policy credits, by any plan policyholder (the Eligible Policyholder) that is an employee benefit plan (the Plan), other than a policyholder which is a plan established by Manulife or an affiliate for its own employees (the Manulife Plan), in exchange for such Eligible Policyholder's membership interest in Manulife, in accordance with a plan of reorganization (the Plan of Demutualization) adopted by Manulife and implemented under the insurance laws of Canada and the State of Michigan.

This proposed exemption is subject to the conditions set forth below in Section II.

Section II. General Conditions

(a) The Plan of Demutualization is implemented in accordance with procedural and substantive safeguards that are imposed under the insurance laws of Canada and the State of Michigan and is subject to review and/or approval in Canada by the Office of the Superintendent of Financial Institutions (OSFI) and the Minister of Finance (the Canadian Finance Minister) and, in the State of Michigan, by the Commissioner of Insurance (the Michigan Insurance Commissioner).

(b) OSFI, the Canadian Finance Minister and the Michigan Insurance Commissioner review the terms of the options that are provided to Eligible Policyholders of Manulife as part of their separate reviews of the Plan of Demutualization. In this regard, (1) OSFI (i) authorizes the release of the Plan of Demutualization and all information to be sent to Eligible Policyholders; (ii) oversees each step of the demutualization process; and (iii) makes a final recommendation to the Canadian Finance Minister on the Plan of Demutualization.

(2) The Canadian Finance Minister considers such factors as whether (i) the Plan of Demutualization is fair and equitable to Eligible Policyholders; (ii) the Plan of Demutualization is in the best interests of the financial system in Canada; and (iii) sufficient steps had been taken to inform Eligible Policyholders of the Plan of Demutualization and of the special meeting on demutualization.

(3) The Michigan Insurance Commissioner makes a determination that the Plan of Demutualization is (i) fair and equitable to all Eligible Policyholders and (ii) consistent with the requirements of Michigan law.

(4) Both the Canadian Finance Minister and the Michigan Insurance Commissioner concur on the terms of the Plan of Demutualization.

(c) Each Eligible Policyholder has an opportunity to vote to approve the Plan of Demutualization after full written disclosure is given to the Eligible Policyholder by Manulife.

(d) One or more independent fiduciaries of a Plan that is an Eligible Policyholder receives Holding Company Common Shares, cash or policy credits pursuant to the terms of the Plan of Demutualization and neither Manulife nor any of its affiliates exercises any discretion or provides investment advice with respect to such acquisition.

(e) After each Eligible Policyholder entitled to receive stock is allocated at least 184 Common Shares, additional consideration is allocated to Eligible Policyholders who own participating policies based on actuarial formulas that take into account each participating policy's contribution to the surplus of Manulife, which formulas have been reviewed by the Canadian Finance Minister and the Michigan Insurance Commissioner.

(f) All Eligible Policyholders that are Plans participate in the transactions on the same basis within their class groupings as other Eligible Policyholders that are not Plans.

(g) No Eligible Policyholder pays any brokerage commissions or fees in connection with the receipt of Common Shares.

(h) All of Manulife's policyholder obligations remain in force and are not affected by the Plan of Demutualization.

Section III. Definitions

For purposes of this proposed exemption:

(a) The term “Manulife” means “The Manufacturers Life Insurance Company” and any affiliate of Manulife as defined in paragraph (b) of this Section III.

(b) An “affiliate” of Manulife includes—

(1) Any person directly or indirectly through one or more intermediaries, controlling, controlled by, or under common control with Manulife. For purposes of this paragraph, the term “control” means the power to exercise a controlling influence over the management or policies of a person other than an individual.)

(2) Any officer, director or partner in such person, and

(3) Any corporation or partnership of which such person is an officer, director, or a 5 percent partner or owner.

(c) The term “Eligible Policyholder” means a policyholder who is eligible to vote at annual meetings of the mutual insurer and to receive consideration under Manulife's Plan of Demutualization. More specifically, an Eligible Policyholder is a policyholder of the mutual insurer that had a voting policy before Manulife announced its intention to demutualize any policyholder that applied for a voting policy prior to that day. Policyholders will also be deemed Eligible Policyholders if they are holders of a.
voting policy that lapsed before the insurer's announcement date but was reinstated on or before 90 days prior to the special meeting to consider demutualization. These policyholders will be entitled to receive benefits upon demutualization.

(d) The term "policy credit" means whichever of the following is applicable: (1) With respect to an individual life insurance policy, an increase in the dividend accumulation amount; (2) with respect to an individual deferred annuity policy where the owner has elected a dividend accumulation option, an increase in the dividend accumulation amount; (3) with respect to all other individual deferred annuity policies, an increase in the dividend addition value; and (4) with respect to a settlement annuity, an increase in the contract reserve which shall provide for an increase in the monthly income payment equal to the ratio of the reserve increase to the then current contract reserve.

Summary of Facts and Representations

1. Manulife, which maintains its principal place of business at 200 Bloor Street East, Toronto, Ontario, Canada, is a mutual insurance company originally incorporated on June 23, 1887 by a Special Act of Parliament of the Dominion of Canada. Manulife currently has letters patent (i.e., a corporate charter) issued under the Insurance Companies Act of Canada (the ICA). Its port of entry into the United States is the State of Michigan which is responsible for regulating its United States operations.

2. ManUSA is a Michigan corporation which was incorporated in 1955 as a stock life insurance company. It is a wholly owned subsidiary of Reinsurance and is located at 500 N. Woodward Ave., Bloomfield Hills, Michigan. ManUSA is authorized to issue and reissue various forms of life insurance, annuities and other insurance products to Plans and to other policyholders. As of December 31, 1997, ManUSA had approximately 16,000 policies in force that were held on behalf of Plan policyholders located in the United States.

3. Between December 31, 1993 and December 31, 1996, Manulife began the process of transferring its operations from its U.S. branch to its wholly owned U.S. subsidiaries. Thus, on December 31, 1993, under the terms of an assumption reinsurance agreement, Manulife transferred to ManUSA (a) certain nonparticipating life insurance policies and annuity contracts written by Manulife in the United States through its U.S. branch; and (b) investment assets with a value and tax basis equal to or in excess of the tax reserves and other liabilities associated with the transferred policies and contracts. At the time of the transfer, Reinsurance was a wholly owned subsidiary of Manulife and ManUSA was a wholly owned subsidiary of Reinsurance.

4. On December 31, 1996, under the terms of an assumption reinsurance agreement, Manulife transferred to ManUSA (either directly or through Reinsurance) (a) all of its life insurance policies, annuity contracts, and other insurance contracts remaining in its U.S. branch (the U.S. Policies), other than Manulife's obligations under certain reinsurance contracts that it had previously written in its U.S. branch as the assuming company; and (b) other assets and liabilities of its U.S. branch (the 1996 Assumption Transaction). The transferred assets had a value and tax basis equal to or in excess of the tax reserves and other liabilities assumed by ManUSA or associated with the transferred U.S. policies and assets. The U.S. Policies were primarily participating policies and included policies that qualified as tax-sheltered annuities described in section 403(b) of the Code, policies that qualified as individual retirement accounts within the meaning of section 408(b) of the Code, and individual and group policies issued in connection with Plans intending to qualify under section 401(a) or 403(a) of the Code (the Qualified Plan Contracts). Certain Qualified Plan Contracts were held in trust or custodial accounts; others were not.

As a mutual insurance company, Manulife has no shareholders. Instead, its participating policyholders, which are members of the company, are entitled to vote to elect all directors of Manulife. If Manulife is liquidated, such policyholders would also be entitled to share in the insurer’s assets.

Manulife is the sole indirect shareholder of three United States-domiciled stock insurance companies. The three companies are Manulife Reinsurance Corporation (U.S.A.) (Reinsurance), a Michigan-domiciled insurer incorporated in 1983; ManUSA, a Michigan-domiciled insurer incorporated in 1955; and The Manufacturers Life Insurance Company of America, a Michigan-domiciled insurer incorporated in 1977.


Formerly, Manulife operated in the United States through a branch. However, since 1997, its businesses in the United States have been conducted through its subsidiaries. Prior to 1997, Manulife provided a variety of insurance products to Plans covered under applicable provisions of the Act and the Code.

Manulife provides a wide range of financial products and services, including individual life insurance, group life and health insurance, pensions, annuities and mutual funds to individuals and group customers, including employers in Canada and other countries. Either directly or through its subsidiaries, Manulife is authorized to conduct business in 50 states of the United States as well as in the District of Columbia. As of December 31, 1997, Manulife had total assets under administration of Cdn$79.5 billion and it had more than Cdn$400 billion of life insurance in force. In addition, during 1998, Manulife was rated as follows by Duff & Phelps, A.M. Best, Standard & Poor’s and Moody’s:

<table>
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<th>Rating agency</th>
<th>Valuation date</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duff &amp; Phelps Claims Paying Ability</td>
<td>8/24/98</td>
<td>AAA (Highest).</td>
</tr>
<tr>
<td>A.M. Best Financial Strength</td>
<td>1998</td>
<td>A++ (Superior).</td>
</tr>
<tr>
<td>Moody's Financial Strength</td>
<td>3/98</td>
<td>Aa2 (Excellent).</td>
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</table>
At the time of the 1996 Assumption Transaction, it is represented that Manulife assured the holders of the U.S. Policies that were participating policies (the Transferred U.S. Policies) that they would retain their membership interests in Manulife and would not be disadvantaged in a future demutualization of Manulife as a result of their policies being transferred to ManUSA. Therefore, in accordance with the approval granted by the Canadian regulatory authorities, Manulife agreed that holders of the Transferred U.S. Policies would retain their “equity” rights or membership interests in Manulife. In addition, the membership interests retained by the holders of the Transferred U.S. Policies were nontransferable and could be extinguished at the time any related insurance or annuity contract was canceled, matured, lapse without reinstatement, or ceased to be a ManUSA participating policy.

Second, ManUSA agreed to pay cash dividends on the Transferred U.S. Policies by way of a dividend policy consistent with its dividend policy for participating policies. In addition, ManUSA agreed that in no event would it pay dividends on the Transferred U.S. Policies on a less favorable basis than the basis on which it paid dividends on its own participating policies (assuming that ManUSA maintained a single participating fund for all participating policies).

Third, Manulife agreed to satisfy any claims on the U.S. Policies in the event of ManUSA’s insolvency.

4. On January 20, 1998, Manulife’s Board of Directors authorized management to develop a plan of demutualization whereby Manulife would be converted, in accordance with the provisions of the ICA, from a mutual life insurance company into an insurance company with common shares. The principal purposes of the demutualization are to (a) enhance Manulife’s strategic and financial flexibility by creating a corporate structure that will make it potentially possible for the insurer to obtain additional capital sources that are unavailable to Manulife as a mutual insurer; (b) enable Manulife to use stock options or other equity-based compensation arrangements in order to attract and retain talented employees; and (c) provide Eligible Policyholders with marketable securities, cash or policy credits. Moreover, the ultimate result of the transaction will be a structure in which all of Manulife’s shareholders will be held by a holding company, which has applied to be organized as an insurance company under the ICA for this purpose. Eligible Policyholders, which will generally include holders of the Transferred U.S. Policies, will receive Common Shares of the Holding Company, a publicly-traded company whose Common Shares will be listed on the Montreal, Toronto or New York Stock Exchanges, or, in certain cases (for legal or tax reasons), cash or policy credits, in exchange for (and in extinguishment of) their membership interests and rights in the surplus of Manulife. The demutualization will not, in any way, change premiums or reduce policy benefits, values, guarantees or other policy obligations of Manulife to its policyholders.

5. Therefore, Manulife requests an administrative exemption from the Department that would cover the receipt of Common Shares of the Holding Company, cash or policy credits by Eligible Policyholders that are Plans in exchange for their existing membership interests in Manulife. Neither Manulife nor ManUSA is a “party in interest,” with respect to any of its Plan policyholders merely because such entity has issued an insurance policy to the Plan. As noted above, ManUSA does (and, prior to 1997, Manulife did). However, provide certain services to Plan policyholders which would cause ManUSA and Manulife to be considered parties in interest with respect to such Plans under section 3(14)(A) and (B) of the Act.11

Manulife is not requesting that the exemption apply to distributions of Common Shares to the Manulife Plans because it believes the Common Shares received by such Plans would constitute qualifying employer securities within the meaning of section 407(d)(5) of the Act and that section 408(e) of the Act would apply to such distributions.12

The proposed exemption includes a requirement that distributions to Plans pursuant to the exemption must be on terms no less favorable than the Plans in an arm's length transaction between unrelated parties would be. In this regard, Plans for which Manulife and/or ManUSA are parties in interest will not by reason of that relationship be treated any differently from other Eligible Policyholders that are not Plans.

6. On May 19, 1999, Manulife’s Board of Directors formally adopted the Plan of Demutualization. On the effective date of the demutualization, which is scheduled to occur during September 1999, several steps will be deemed to occur simultaneously. In this regard, Manulife will issue shares (Manulife Shares) to the Holding Company. Then, all of the Holding Company’s Common Shares held by Manulife immediately prior to the effective date will be canceled. Finally, the Holding Company will issue its Common Shares in book-entry form to Eligible Policyholders who are entitled to receive Common Shares under the Plan of Demutualization.

7. An initial public offering (the IPO) in which the Holding Company’s Common Shares will be sold for cash is expected to close 5 business days after the effective date of the demutualization. The Holding Company intends to contribute a portion of the proceeds of the IPO to Manulife, an amount at least equal to the amount required to fund the mandatory cash payments and the mandatory crediting of policy credits to Eligible Policyholders who are to receive such consideration. As soon as reasonably practicable after the effective date of the IPO, the Holding Company will pay, or cause Manulife to pay, cash to Eligible Policyholders required under the Plan of Demutualization to receive such consideration, and will transfer cash to ManUSA to fund all policy credits due under the Plan of Demutualization.

A portion of the proceeds from the IPO will also help to satisfy, to the extent possible, elections by Canadian resident policyholders to receive cash instead of Common Shares. If the proceeds from the IPO are insufficient to satisfy cash elections in full, Canadian resident policyholders will receive the full amount of their cash election as promptly as possible after the closing of the IPO. If the proceeds from the IPO are not sufficient to satisfy cash elections in full, Canadian resident policyholders will receive Common Shares in book-entry form as part of their compensation.

To avoid the potentiality of a double-tax that might otherwise be imposed on non-Canadian policyholders who express a desire to receive cash through a cash election, the Common Shares for which such cash elections are made by non-Canadian policyholders will be sold in a secondary offering by the Holding Company’s underwriters as part of (or simultaneous with) the IPO and subject to the approval of the Board of Directors of the Holding Company.

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11 Manulife notes that even though the Holding Company may not be subject to the provisions of the Act, there is no clear provision that would except a non-U.S. person from the general definition of the term “party in interest” with respect to a plan under section 3(14) of the Act. Thus, to remove any uncertainty that Manulife’s proposed demutualization will not constitute a prohibited transaction, Manulife has requested an administrative exemption.

12 The Department expresses no opinion herein on whether the Holding Company Common Shares will constitute qualifying employer securities and whether such distributions will satisfy the terms and conditions of section 408(e) of the Act.
Assuming the IPO generates sufficient cash to fund all cash elections, an amount equal to the IPO price per share will be remitted to all policyholders making such elections.13

8. Section 237 of the ICA and the regulations promulgated thereunder (the Demutualization Law) establish an approval process for the demutualization of a life insurance company organized under Canadian law. The Demutualization Law prescribes the contents of the Plan of Demutualization and also prescribes the information that must be sent to Eligible Policyholders with the notice of the special meeting which must be convened to vote on the Plan of Demutualization. The information will be contained in an information circular which, together with the notice of special meeting and the Plan of Demutualization, must be sent to Eligible Policyholders at least 45 days prior to the special meeting. Manulife must first submit these materials to OSFI, a Canadian agency established to supervise Canadian financial institutions in order to determine whether they are in sound financial condition and are complying with their governing statutory law and supervisory requirements under that law. OSFI will oversee each step of the demutualization process. Manulife must obtain the authorization from OSFI’s Superintendent to deliver the materials to Eligible Policyholders.14 Before granting such authorization, OSFI may require that the notice or the information circular contain such additional information as it may determine.

The Plan of Demutualization must be approved by two-thirds of the Eligible Policyholders voting in person or by proxy at the special meeting. Within 3 months of the approval of the Plan of Demutualization by Eligible Policyholders, Manulife must apply to the Canadian Finance Minister for approval of the Plan of Demutualization and for the issuance of the Letters Patent of Conversion.15 In deciding whether to approve the Plan of Demutualization, the Canadian Finance Minister may consider such factors as (a) whether the proposal is fair and equitable to policyholders; (b) whether the proposal is in the best interests of the financial system in Canada; and (c) whether sufficient steps had been undertaken to inform policyholders of the Plan of Demutualization and of the special meeting on demutualization.16 The demutualization will be effective upon the issuance of the Letters Patent of Conversion by the Canadian Finance Minister.

9. The Plan of Demutualization must also be approved by the Michigan Insurance Commissioner.17 To approve the Plan of Demutualization, the Michigan Insurance Commissioner must determine after a public hearing that the Plan of Demutualization does not prejudice the interests of Eligible Policyholders, and is consistent with the requirements of Michigan law. Manulife’s directors, officers, employees and policyholders have the right to appear and to be heard at the public hearing.18

The Michigan Insurance Commissioner is required to give public notice of the hearing not less than 10 days before the hearing. The notice identifies the statutory authority under which the determination is made, the time and place of the hearing, a statement of the manner in which data, views and arguments may be submitted to the Michigan Insurance Commissioner at time other than at the hearing, and a description of the subjects and issues involved. Any person who makes a written request to the Michigan Insurance Commissioner for advanced notice of the proposed action that may affect that person will receive copies of the notice.

13 In this regard, Manulife has agreed that it or the Holding Company will pay the underwriters’ discount on the sale of such shares. Because the payment of the underwriters’ discount is treated as dividend in Canada, a withholding tax of 15 percent of the amount of the dividend will be imposed on Manulife and not on the Plans. It is represented that of the amount of the dividend will be imposed on Manulife for the benefit of Eligible Policyholders, regardless of domicile.

14 In deciding whether to

15 The policyholder notice was mailed on or before May 31, 1999. It is anticipated that the policyholder meeting will take place in Toronto on or about July 29, 1999. It is also expected that the approval of the Demutualization Plan by the Canadian Finance Minister will be obtained in late September 1999.

16 Manulife does not believe that the demutualization can proceed unless both the Michigan Insurance Commissioner and the Canadian Finance Minister both approve the Demutualization Plan. Therefore, the insurer is having simultaneous discussions with both regulatory authorities and has been consulting with both regulators on requested changes. The Michigan Insurance Commissioner’s statutory authority is limited to the approval or disapproval of the Plan of Demutualization, including the payment of any compensation to Eligible Policyholders. The Canadian Finance Minister is the authority for the approval of the plan and the payment of any compensation to Eligible Policyholders.

17 It is anticipated that the Michigan Insurance Commissioner and the Canadian Finance Minister will be consulted on the Plan of Demutualization. Manulife is considering the possibility of the Michigan Insurance Commissioner issuing a “certificate” of approval which will be distributed to Eligible Policyholders and will be considered a policyholder or owner and will be eligible to vote or receive consideration.

18 In general, it is the Department’s view that, if an insurance policy is issued to a trust established by Manulife, the insurer does not hold the policy in trust. The insurer is considered the owner of the policy and will be entitled to all proceeds from the sale of such shares. The insurer will indemnify any person holding the policy on behalf of the trust and will bear all costs associated with the transaction. The insurer will also be entitled to all proceeds from the sale of such shares. The insurer will indemnify any person holding the policy on behalf of the trust and will bear all costs associated with the transaction. The insurer will also be entitled to all proceeds from the sale of such shares.
purpose, an Eligible Policyholder generally is any owner of one or more voting policies in force (including the Transferred U.S. Policies assumed by ManUSA) on January 20, 1998 (or in lapse status on that date and reinstated at least 90 days prior to the special meeting of the policyholders to vote on the Plan of Demutualization). It is anticipated that 675,000 Eligible Policyholders will be entitled to vote on the Plan of Demutualization following the receipt of full and complete written disclosure of such Plan. Of these Eligible Policyholders, approximately 2,100 are Plan policyholders. Each Eligible Policyholder will be entitled to one vote regardless of the number of policies held with Manulife and/or its affiliates.

To determine the amount of consideration to which each Eligible Policyholder is entitled, each Eligible Policyholder will be allocated (but not necessarily issued) a number of Common Shares equal to the sum of (a) a fixed component consisting of 184 Common Shares; 20 and (b) an additional number of Common Shares based on actuarial formulas that take into account each participating policy’s death benefit, account value and time-in-force. For those Eligible Policyholders who receive cash or policy credits due to legal or tax reasons, the amount of cash or policy credits will be determined by reference to the price per share at which the Common Shares are offered to the public in the IPO. Although an Eligible Policyholder may receive Common Shares as a result of Manulife’s demutualization, another Eligible Policyholder (a) whose jurisdiction of residence on the records of Manulife as of a specified date is other than Canada, the United States, Hong Kong or the Philippines; or (b) which is a government or government agency; or (c) who holds a Canadian Pension Policy, will receive cash in lieu of Common Shares in an amount equal to the number of shares such policyholder would otherwise have received multiplied by the price at which the Common Shares are offered to the public in the IPO.

In addition, an Eligible Policyholder who is entitled to receive Common Shares will be permitted to make a cash election in accordance with the terms of the Plan of Demutualization and will receive the value of his or her Common Shares in cash in accordance with the same formula. The cash election may be reduced if the Board of Directors of the Holding Company determines that such a reduction is in Manulife’s best interests. In the event that the IPO fails to close, the Eligible Policyholder will receive the number of Common Shares he or she was originally allocated.

Other Eligible Policyholders, namely owners of individual retirement annuities, tax sheltered annuities, certain other policies issued directly to the plan participants in qualified pension or profit sharing plans, or group policies issued in connection with plans intending to qualify under section 403(a) of the Code that are not held in trust, will receive policy credits equal in value to the shares allocated to such Eligible Policyholders. The policy credits are intended to be a fixed component consisting of 184 Common Shares of Manulife as of a specified date is expected to be allocated to Eligible Policyholders as the fixed allocation. On this basis, each Eligible Policyholder will be allocated a fixed component of 184 Common Shares.

11. It is anticipated that Manulife will establish a Share Sales Program to provide a convenient way for those Eligible Policyholders who choose to sell their Common Shares subsequent to the demutualization without having to establish an independent relationship with an investment dealer, stock broker or other qualified professional. The Share Sales Program will involve Common Shares being sold through one or more of the stock exchanges on which the Common Shares are listed for market prices that prevail at the time of the sale. Although Manulife will not absorb any costs associated with the Common Shares, it is expected that participants in the Share Sales Program will benefit from the bulk commission rates which Manulife has negotiated with the participating brokers.

12. In the event the exemption has not been granted before the effective date of the demutualization, Manulife may delay payment of the consideration to Eligible Policyholders that are Plans and place such consideration in an escrow or similar arrangement subject to terms and conditions approved by the Superintendent of OSFI. Any such escrow or arrangement will provide for the payment to Eligible Policyholders of the consideration not later than the third anniversary date of the demutualization. All costs and expenses associated with the escrow arrangement will be borne by Manulife.

13. In summary, it is represented that the proposed transactions will satisfy the statutory criteria for an exemption under section 408(a) of the Act because:

(a) The Plan of Demutualization, which is being implemented pursuant to stringent procedural and substantive safeguards imposed under Canadian and Michigan law, will not require any ongoing supervision by the Department.

(b) One or more independent Plan fiduciaries will have an opportunity to determine whether to vote to approve the Plan of Demutualization and will be responsible for all such decisions.

(c) The proposed exemption will allow Eligible Policyholders that are Plans to acquire Common Shares, cash or policy credits in exchange for, and in extinguishment of, their membership interests in Manulife and neither Manulife nor its affiliates will pay any brokerage commissions or fees in connection with the receipt of Common Shares.

(d) Neither Manulife nor ManUSA will exercise any discretion with respect to voting on the Plan of Demutualization or with respect to any election to be made by any Eligible Policyholder which is a Plan, nor will Manulife and ManUSA provide “investment advice” as that term is defined in 29 CFR 2510.3–2(c) with respect to any election made by such Plan policyholder. In addition, no Plan will be required to pay any fees or commissions in connection with the receipt of Common Shares.

As stated above, under both Canadian and Michigan law, a plan of conversion must specify the consideration given to policyholders and it must be approved by the Canadian Finance Minister and the Michigan Insurance Commissioner. The Michigan Insurance Commissioner must find that the plan is fair and equitable to the U.S. policyholders. Moreover, the Canadian Finance Minister and the Michigan Insurance Commissioner must approve all forms of consideration.

11. It is anticipated that Manulife will establish a Share Sales Program to provide a convenient way for those Eligible Policyholders who choose to sell their Common Shares subsequent to the demutualization without having to establish an independent relationship with an investment dealer, stock broker or other qualified professional. The Share Sales Program will involve Common Shares being sold through one or more of the stock exchanges on which the Common Shares are listed for market prices that prevail at the time of the sale. Although Manulife will not absorb any costs associated with the Common Shares, it is expected that participants in the Share Sales Program will benefit from the bulk commission rates which Manulife has negotiated with the participating brokers.

12. In the event the exemption has not been granted before the effective date of the demutualization, Manulife may delay payment of the consideration to Eligible Policyholders that are Plans and place such consideration in an escrow or similar arrangement subject to terms and conditions approved by the Superintendent of OSFI. Any such escrow or arrangement will provide for the payment to Eligible Policyholders of the consideration not later than the third anniversary date of the demutualization. All costs and expenses associated with the escrow arrangement will be borne by Manulife.

13. In summary, it is represented that the proposed transactions will satisfy the statutory criteria for an exemption under section 408(a) of the Act because:
(a) The Plan of Demutualization, which is being implemented pursuant to stringent procedural and substantive safeguards imposed under Canadian and Michigan law, will not require any ongoing supervision by the Department.
(b) One or more independent Plan fiduciaries will have an opportunity to determine whether to vote to approve the Plan of Demutualization and will be responsible for all such decisions.
(c) The proposed exemption will allow Eligible Policyholders that are Plans to acquire Common Shares, cash or policy credits in exchange for, and in extinguishment of, their membership interests in Manulife and neither Manulife nor its affiliates will pay any brokerage commissions or fees in connection with the receipt of Common Shares.
(d) Neither Manulife nor ManUSA will exercise any discretion with respect to voting on the Plan of Demutualization or with respect to any election to be made by any Eligible Policyholder which is a Plan, nor will they provide “investment advice” as that term is defined in 29 CFR 2510.3–2(c) with respect to any election made by such Plan policyholder.
(e) The Plan of Demutualization will not change premiums or reduce policy benefits, values, guarantees or other policy obligations of Manulife to its policyholders and contractholders.

Notice to Interested Persons
Manulife will provide a copy of the proposed exemption to Eligible Policyholders that are Plans, within 14 days following the publication of the notice of pendency in the Federal Register. Such notice will be provided to interested persons by first class mail and will include a copy of the notice of...
proposed exemption as published in the Federal Register as well as a supplemental statement, as required pursuant to 20 CFR 2570.43(b)(2), which shall inform interested persons of their right to comment on the proposed exemption. Comments with respect to the notice of proposed exemption are due within 44 days of the publication of this pendency notice in the Federal Register.

FOR FURTHER INFORMATION CONTACT: Ms. Jan D. Broady of the Department, telephone (202) 219–8881. (This is not a toll-free number.)

General Information
The attention of interested persons is directed to the following:

(1) The fact that a transaction is the subject of an exemption under section 408(a) of the Act and/or section 4975(c)(2) of the Code does not relieve a fiduciary or other party in interest of disqualified person from certain other provisions of the Act and/or the Code, including any prohibited transaction provisions to which the exemption does not apply and the general fiduciary responsibility provisions of section 404 of the Act, which among other things require a fiduciary to discharge his duties respecting the plan solely in the interest of the participants and beneficiaries of the plan and in a prudent fashion in accordance with section 404(a)(1)(b) of the Act; nor does it affect the requirement of section 401(a) of the Code that the plan must operate for the exclusive benefit of the employer maintaining the plan and their beneficiaries.

(2) Before an exemption may be granted under section 408(a) of the Act and/or section 4975(c)(2) of the Code, the Department must find that the exemption is administratively feasible, in the interests of the plan and of its participants and beneficiaries and protective of the rights of participants and beneficiaries of the plan.

(3) The proposed exemptions, if granted, will be supplemental to, and not in derogation of, any other provisions of the Act and/or the Code, including statutory or administrative exemptions and transitional rules. Furthermore, the fact that a transaction is subject to an administrative or statutory exemption is not dispositive of whether the transaction is in fact a prohibited transaction; and

(4) The proposed exemptions, if granted, will be subject to the express condition that the material facts and representations contained in each application be true and complete and accurately describe all material terms of the transaction which is the subject of the exemption. In the case of continuing transaction, if any of the material facts or representations described in the application change after the exemption is granted, the exemption will cease to apply as of the date of such change. In the event of any such change, application for a new exemption may be made to the Department.

Signed at Washington, DC, this 16th day of July, 1999.

Ivan Strasfeld,
Director of Exemption Determinations, Pension and Welfare Benefits Administration, U.S. Department of Labor.

[FR Doc. 99–18616 Filed 7–21–99; 8:45 am]
BILLING CODE 4510–29–P

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[Notice 99–98]

NASA Advisory Council; Meeting

AGENCY: National Aeronautics and Space Administration.

ACTION: Notice of meeting.

SUMMARY: In accordance with the Federal Advisory Committee Act, Pub. L. 92–463, as amended, the National Aeronautics and Space Administration announces a meeting of the NASA Advisory Council.

DATES: Tuesday, August 3, 1999, 8 a.m. to 3:45 p.m.; and Wednesday, August 4, 1999, 8 a.m. to 2 p.m.

ADDRESSES: Ohio Aerospace Institute, 22800 Cedar Point Road, Room, Library, Glenn Research Center at Lewis Field, Cleveland, OH 44142.


SUPPLEMENTARY INFORMATION: The meeting will be closed to the public on Tuesday, August 3, 1999, from 2:15 p.m. to 3:45 p.m. in accordance with 5 U.S.C. 552b(c)(4), to hear a proprietary briefing on the Space Transportation Architecture Studies analysis by the Independent Evaluation Team. Wednesday, August 4, 1999, will be open to the public up to the seating capacity of the room. The agenda for the meeting is as follows:

—Aeronautics Technology Update
—High Speed Research Lessons
—Commercialization Update
—ISS PRA
—Independent Assessment Team Report
—NASA Advisory Council and Performance Plan Evaluation
—Committee Task Force/Working Group Reports
—Discussion of Findings and Recommendations


It is imperative that the meeting be held on these dates to accommodate the scheduling priorities of the key participants. Visitors will be requested to sign a visitor's register.

Matthew M. Crouch,
Advisory Committee Management Officer, National Aeronautics and Space Administration.

[FR Doc. 99–18749 Filed 7–21–99; 8:45 am]
BILLING CODE 7510–01–P

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[Notice 99–099]

Performance Review Board, Senior Executive Service (SES)

AGENCY: National Aeronautics and Space Administration (NASA).

ACTION: Notice of membership of SES performance review board.

SUMMARY: The Civil Service Reform Act of 1978, Pub. L. 95–454 (Section 405) requires that appointments of individual members to a Performance Review Board be published in the Federal Register.

The performance review function for the SES in the National Aeronautics and Space Administration is being performed by the NASA Performance Review Board (PRB) and the NASA Senior Executive Committee. The latter performs this function for senior executives who report directly to the Administrator or the Deputy Administrator and members of the PRB. The following individuals are serving on the Board and the Committee:

Performance Review Board

Spence M. Armstrong, Chairperson, Associate Administrator for Aero-Space Technology, NASA Headquarters

John T. Pennington, Executive Secretary, Chief, Agency Executive Personnel Branch, NASA Headquarters

Joan S. Peterson, Director, Personnel Division, NASA Headquarters

Robert M. Stephens, Deputy General Counsel, NASA Headquarters

Ocilla S. Hall, Deputy Associate Administrator for Equal Opportunity Programs, NASA Headquarters

Michael A. Greenfield, Deputy Associate Administrator for Safety and Mission Assurance, NASA Headquarters

Susan H. Garman, Associate Director, NASA Johnson Space Center