

MEMO# 2727

May 1, 1991

INSTITUTE RECOMMENDATIONS REGARDING PRIME ACCOUNTS

May 1, 1991 TO: PENSION COMMITTEE NO. 10-91 RE: INSTITUTE RECOMMENDATIONS
REGARDING PRIME ACCOUNTS _____

Attached are the Institute's recommendations regarding the PRIME Retirement Account Act of 1991. (See Institute Memorandum to Pension Committee No. 2-91, dated February 4, 1991.) The Institute recommended several revisions to the operation of a PRIME account program. The bill as introduced does not distinguish between the initial, depository PRIME account, which is selected by the employer and may not charge any direct fees to the participant, and a "rollover PRIME account", which is selected by the participant and has no fee restrictions. The Institute provided recommendations so that the depository PRIME account could be distinguished from a "rollover PRIME account". Rollover PRIME account trustees and custodians would not be responsible for providing summary descriptions of the employer's PRIME account program or filing quarterly statements. Since Senator Packwood's staff was not receptive to the idea of eliminating the depository PRIME account concept, the Institute did not recommend that the PRIME account program be revised to mirror SEP-IRA arrangements. As the bill is now drafted, PRIME account assets could not be commingled with IRA assets at any time. The Institute noted that an individual should be able to commingle his PRIME account assets with his other IRA assets after the special PRIME account penalty for early withdrawal expires after three years. However, because Senator Packwood's staff indicated that this result was unlikely, but that commingling at age 59-1/2 in preparation for retirement was a possibility, the Institute recommended the latter concept as an alternative. We will keep you informed of developments. W. Richard Mason Assistant Counsel - Pension Attachment