

MEMO# 10176

August 6, 1998

HOUSE AND SENATE LEADERS INTRODUCE MAJOR PENSION BILLS

1 See Memorandum to Board of Governors No. 25-98, Federal Legislation Members No. 6-98, Primary Contacts- Member Complex No. 33-98 and Public Information Committee No. 15-98, dated May 11, 1998. 2 See Memorandum to Board of Governors No. 34-98, Federal Legislation Members No. 9-98, Primary Contacts- Member Complex No. 41-98 and Public Information Committee No. 18-98, dated May 22, 1998. [10176] August 6, 1998 TO: BOARD OF GOVERNORS No. 49-98 FEDERAL LEGISLATION MEMBERS No. 18-98 PRIMARY CONTACTS - MEMBER COMPLEX No. 66-98 PUBLIC INFORMATION COMMITTEE No. 31-98 RE: HOUSE AND SENATE LEADERS INTRODUCE MAJOR PENSION BILLS

Several important pieces of legislation have been introduced recently that would enhance retirement savings opportunities for Americans, principally through improvements to employer- sponsored pension plans. Each includes provisions supported by the Institute that would either expand pension programs, encourage pension portability or simplify pension plan administration. The leading bills are briefly described below. Pension Coverage and Portability Act of 1998 On July 21, Senators Bob Graham (D-FL), Charles Grassley (R-IA) and several other members of the Senate Finance Committee, introduced S. 2339, the "Pension Coverage and Portability Act of 1998." The Institute supports many of the bill's provisions, including ones that would: ` increase portability among defined contribution pension plans; ` increase to \$8,000 the salary deferral limit applied to SIMPLE plans; ` offer a Salary Reduction SIMPLE plan permitting contributions of up to \$4,000; ` repeal the 25%-of-compensation contribution limit applied to defined contribution plans; ` modify top-heavy rules to make it more attractive for small businesses to establish pension plans; ` raise to 75 from 70½ the required age for minimum distributions; and ` exempt the first \$300,000 of defined contribution plan and IRA assets from the minimum distribution requirements. Other provisions are designed to encourage retirement education, simplify plan administration and enhance pension fairness for women and families. Similar legislation was introduced in the House on May 4 by Representatives Rob Portman (R-OH) and Benjamin Cardin (D-MD) as H.R. 3788.1 The Institute submitted testimony supporting that bill to a House Ways and Means subcommittee in May.2 A summary of the Senate bill, provided by its sponsors, is attached. Retirement Account Portability Act On July 17, Senators James Jeffords (R-VT), Jeff Bingaman (D-NM) and Bob Graham (D-FL) introduced S. 2329, the "Retirement Account Portability Act." The bill is designed to increase portability among defined contribution pension plans by allowing workers to take their accumulated retirement savings account from 401(k), 403(b) or 457 plans when they change jobs. It is similar to House legislation (H.R. 3503) introduced in March by Representatives Earl Pomeroy (D-ND) and Jim Kolbe (R-AZ). Democratic Leadership Retirement Proposals On

June 25 and 26, congressional Democratic leaders introduced the “Retirement Accessibility, Security, and Portability Act of 1998, ” designated as S. 2249 in the Senate and H.R. 4152 in the House. The legislation includes various provisions relating to pension access and coverage, disclosure and reporting, portability and women’s pension protection. A summary of the lead provisions in this legislation is attached for your information. We will keep you informed of further developments. Matthew P. Fink President Attachments

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