

MEMO# 2731

May 1, 1991

LABOR UNVEILS PROPOSED PENSION "POWER" PLAN

May 1, 1991 TO: PENSION MEMBERS NO. 17-91 RE: DEPARTMENT OF LABOR UNVEILS
PROPOSED PENSION "POWER" PLAN

Department of Labor Secretary
Lynn Martin yesterday announced the Bush Administration's proposal to expand pension coverage and protect retirement assets. The proposal, which consists of five distinct recommendations, is collectively referred to as the Pension Opportunities for Workers' Expanded Retirement or "POWER" plan. The POWER plan would affect pension law as follows: 1. Expand coverage by means of a retirement program designed for employers with 100 or fewer employees. The program would have no discrimination rules, but would require employers to contribute 2 percent of compensation on behalf of each eligible employee. Also, employees could make annual salary reduction contributions to the program up to approximately \$4,200 which could be matched by the employer up to \$2,100. 2. Permit state and local governments and tax-exempt organizations to establish 401(k) plans. 3. Simplify discrimination and other rules for qualified retirement plans. 4. Shorten multi-employer plan vesting schedules to 5 years. 5. Facilitate rollover of pension plan distributions to IRAs or other qualified plans. The POWER plan will require amendments to the Internal Revenue Code and the Employee Retirement Income Security Act. No legislation has been introduced yet in Congress regarding the POWER plan. A fact sheet describing the POWER plan is attached. We will keep you informed of developments. W. Richard Mason Assistant Counsel - Pension Attachment