

**MEMO# 13419**

April 17, 2001

## **INSTITUTE SUBMITS TESTIMONY ON PENSION REFORM BILL**

[13419] April 17, 2001 TO: PENSION COMMITTEE No. 23-01 PENSION OPERATIONS ADVISORY COMMITTEE No. 32-01 RE: INSTITUTE SUBMITS TESTIMONY ON PENSION REFORM BILL The Institute has submitted written testimony in support of H.R. 10, the “Comprehensive Retirement Security and Pension Reform Act of 2001”<sup>1</sup> in conjunction with an April 5 hearing on the bill held by the House Committee on Education and the Workforce’s Subcommittee on Employer-Employee Relations. In the testimony, which is attached, the Institute states that it has long supported efforts to enhance retirement savings for Americans, including efforts that would expand savings opportunities, simplify retirement plan administration, and enable individuals to better understand and manage their retirement assets. To achieve these objectives, the Institute states, it is important that Congress: (1) establish appropriate and effective retirement savings incentives; (2) enact saving proposals that reflect workforce trends and saving patterns; and (3) reduce unnecessary and cumbersome regulatory burdens that deter employers — especially small employers — from offering retirement plans. Because H.R. 10 would achieve these objectives, the Institute urges its enactment this year. Specifically, the Institute testimony notes the need to increase plan contribution limits, including the annual IRA contribution limit. The Institute also discusses the proposed catch-up mechanism that would allow individuals age 50 and over to make additional contributions to their employer-sponsored retirement plans and IRAs. In this regard, the Institute recommends that the proposal in H.R. 10 be modified to include a permanent catch-up mechanism for IRA owners; with respect to a catch-up for retirement plan participants, the Institute recommends the legislation include an exclusion of catch-up contributions from nondiscrimination testing. The testimony also addresses the need for the portability provisions included in the bill and the various provisions that would encourage small employers to establish retirement plans – including modification of top-heavy rules and an increase in the SIMPLE plan contribution limits. 1 See Institute Memorandum to Pension Committee No. 18-01 and Pension Operations Advisory Committee No. 27- 01, dated March 23, 2001, for a description of the bill. 2 Finally, the Institute urges Congress to consider additional legislation – either as part of H.R. 10 or as a separate bill — to eliminate barriers to participants seeking to obtain investment advice with respect to their plan investments. Russell G. Galer Senior Counsel Attachment Attachment (in .pdf format)