

MEMO# 7899

May 28, 1996

HOUSE PASSES LEGISLATION WITH PENSION SIMPLIFICATION PROVISIONS

May 28, 1996 TO: BOARD OF GOVERNORS No. 26-96 FEDERAL LEGISLATION MEMBERS No. 6-96 PUBLIC INFORMATION COMMITTEE No. 22-96 RE: HOUSE PASSES LEGISLATION WITH PENSION SIMPLIFICATION PROVISIONS

I am pleased to report that on May 22, 1996, the House of Representatives passed H.R. 3448, the "Small Business Job Protection Act of 1996." Included in the bill are small employer pension and pension simplification provisions supported by the Institute, but vetoed in last years budget reconciliation bill. The House-passed bill includes the following provisions: A new simplified retirement plan (called a SIMPLE plan) for small businesses with 100 or fewer employees (previously contained in legislation vetoed by the President). A SIMPLE plan could either be an IRA for each employee or be part of a 401(k) plan. Employees could contribute up to \$6,000 of their wages; employers would generally have to match employee contributions up to 3% of the employee's pay. Alternatively, employers could make a two-percent-of-compensation contribution for each eligible employee. SIMPLE plans would not be subject to nondiscrimination or top-heavy rules. All contributions to an employees account would be fully vested. Salary Reduction Simplified Employee Pension (SARSEP) provisions of present law would be repealed (though currently established SARSEPs could continue); other kinds of Simplified Employee Pensions would not be affected. Simplified nondiscrimination rules for 401(k) plans; and Expanding 401(k) plan availability to tax-exempt organizations, except state and local governments. Enclosed is a copy of the bill as printed in the May 22 Congressional Record. It is the only version of the bill currently available. We will keep you informed as this legislation advances. For those members with access privileges, this memo can be found on ICINet. For additional information, please contact as follows: Legislative Affairs 202-326-8319 Media Relations 202-326-5860 ICINET 202-326-5933 Matthew P. Fink President Attachments

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