

**MEMO# 5271**

October 27, 1993

# **PENSION BENEFIT GUARANTY CORPORATION PROPOSES ELIMINATION OF CROSS-TESTING OF DEFINED CONTRIBUTION PLANS**

October 27, 1993 TO: PENSION COMMITTEE NO. 35-93 RE: PENSION BENEFIT GUARANTY CORPORATION PROPOSES ELIMINATION OF CROSS-TESTING OF DEFINED CONTRIBUTION PLANS \_\_\_\_\_ The Pension Benefit Guaranty Corporation has released the text of its proposed legislation entitled the "Retirement Protection Act of 1993." Although the majority of the provisions of the proposed bill deal with defined benefit plans, several provisions would affect defined contribution plans. Copies of these provisions, as well as the explanatory statement and the section-by-section analysis relating to the provisions, are attached. Section 407 would revise the cost-of-living adjustments for certain dollar limitations affecting retirement plan contributions and benefits. Under the proposal, the \$7,000 limit on elective deferrals under section 402(g)(5) of the Code would be adjusted in \$500 increments, and the \$30,000 limit on annual additions to defined contribution plans would be adjusted, if applicable, in \$5000 increments. In each case, the adjustment would be made by rounding down to the next lowest multiple. Section 408 would eliminate the ability of defined contribution plans, other than certain target benefit plans, to satisfy the nondiscrimination requirements of section 401(a)(4) of the Code by cross-testing on a benefits, rather than a contributions, basis. This provision would be effective for plan years beginning after September 30, 1993, with a special transition rule for plans in existence on that date. We will keep you informed of developments. Kathy D. Ireland Associate Counsel - Pension Attachments