

MEMO# 7291

September 27, 1995

SENATOR DOLE PROPOSES PLAN SIMPLIFICATION FOR SMALL EMPLOYERS

September 27, 1995 TO: PENSION COMMITTEE No. 16-95 RE: SENATOR DOLE PROPOSES PLAN SIMPLIFICATION FOR SMALL EMPLOYERS

Senator Dole recently testified before the Senate Committee on Small Business on behalf of legislation he intends to introduce. The bill would establish a new pension program from small employers and the self-employed, entitled the Savings Incentive Match Plan For Employees (SIMPLE). Attached is a press release detailing his proposal. Highlights of the legislation include: 1. Employers with no more than 100 employees are eligible to establish the plan. 2. Employees are eligible to participate if they have worked for two years. 3. Eligible employees may elect to contribute up to \$6,000 through salary deferral. 4. Employers must provide a 100% matching contribution for 3% of compensation deferred by the participants. Employers could provide a lesser match upon appropriate notice to plan participants. 5. All contributions are immediately 100% vested. 6. No top-heavy or other nondiscrimination rules would apply. 7. Withdrawals from the plan made within two years of receipt are subject to a higher tax penalty in addition to the current 10% early withdrawal penalty under current law, which would also apply. 8. The SIMPLE plan may be established in the form of a qualified trust or as IRAs. We will keep you informed of further developments. Russell G. Galer Assistant Counsel - Pensions Attachment

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