MEMO# 13452

April 30, 2001

LEGISLATION TO ENHANCE IRAS AND PENSION PLANS APPROVED BY TWO HOUSE COMMITTEES

[13452] April 30, 2001 TO: BOARD OF GOVERNORS No. 20-01 FEDERAL LEGISLATION MEMBERS No. 5-01 PRIMARY CONTACTS - MEMBER COMPLEX No. 30-01 PUBLIC INFORMATION COMMITTEE No. 11-01 RE: LEGISLATION TO ENHANCE IRAS AND PENSION PLANS APPROVED BY TWO HOUSE COMMITTEES Bipartisan legislation to encourage retirement savings was recently approved by two House committees. On April 25, the House Ways and Means Committee approved the "Comprehensive Retirement Security and Pension Reform Act of 2001" (H.R. 10) by a vote of 35 to 6. The House Education and the Workforce Committee approved the ERISA portions of the bill on April 26 by voice vote. H.R. 10, introduced by Representatives Rob Portman (R-OH) and Benjamin Cardin (D-MD), is virtually identical to legislation that passed the House overwhelmingly last July. The Portman-Cardin bill would, among other things: • increase the annual limit on IRA contributions in stages from $2,000 to $5,000; • increase contribution limits for 401(k), 403(b), and 457 plans in stages to $15,000; • permit persons 50 and older to make "catch-up" contributions to their employer-sponsored retirement plans; and • enhance the portability of retirement benefits. Senator Charles Grassley (R-IA), Chairman of the Senate Finance Committee, and Senator Max Baucus (D-MT) recently introduced the "Retirement Security and Savings Act of 2001" (S. 742).1 This bill is similar to legislation that was unanimously approved by the Senate Finance Committee last September. S. 742, unlike the House bill, includes a nonrefundable income tax credit to subsidize contributions of low- and middle-income persons to IRAs and employer-sponsored retirement plans and tax credits for small businesses that establish retirement plans. 1 See Memorandum to Board of Governors No. 19-01, Federal Legislation Members No. 4-01, Primary Contacts – Member Complex No. 27-01, and Public Information Committee No. 8-01. 2We will inform you of further developments. Matthew P. Fink President