

MEMO# 11733

March 15, 2000

HOUSE PASSES PENSION PROVISIONS LINKED TO ""MINIMUM WAGE INCREASE BILL"" (H.R. 3081)

[11733] March 15, 2000 TO: BOARD OF GOVERNORS No. 12-00 FEDERAL LEGISLATION MEMBERS No. 2-00 PRIMARY CONTACTS - MEMBER COMPLEX No. 17-00 PUBLIC INFORMATION COMMITTEE No. 9-00 RE: HOUSE PASSES PENSION PROVISIONS LINKED TO MINIMUM WAGE INCREASE BILL (H.R. 3081)

On March 9 the House of Representatives by a vote of 257 to 169 passed a tax cut package linked to an increase in the minimum wage. The tax cut package includes pension provisions supported by the Institute which would: ! increase contribution limits for 401(k), 403(b) and 457 plans in stages to \$14,000 by 2004 and indexed thereafter; ! increase contribution limits for SIMPLE plans in stages to \$10,000 by 2004 and indexed thereafter; ! eliminate the 25-percent-of-compensation requirement for plans; ! increase pension portability; ! allow additional pension contributions for persons 50 and older; ! modify top-heavy rules; ! reduce regulatory burdens; and ! permit 401(k) and 403(b) plans to allow participants to make after-tax contributions whose eventual distributions would be taxed in a manner similar to Roth IRA contributions. Similar provisions were included in an amendment approved by the Senate last November to the "Bankruptcy Reform Act of 1999" (S. 625). The provisions in both bills are similar to the pension provisions included in last year's vetoed tax cut bill (the "Taxpayer Refund and Relief Act of 1999"). We will keep you informed of further developments. Matthew P. Fink President