

**MEMO# 16053**

May 15, 2003

## **HOUSE APPROVES PENSION LEGISLATION; INCLUDES INVESTMENT ADVICE PROVISIONS**

[16053] May 15, 2003 TO: BOARD OF GOVERNORS No. 22-03 FEDERAL LEGISLATION MEMBERS No. 6-03 PRIMARY CONTACTS - MEMBER COMPLEX No. 36-03 PUBLIC INFORMATION COMMITTEE No. 12-03 RE: HOUSE APPROVES PENSION LEGISLATION; INCLUDES INVESTMENT ADVICE PROVISIONS On May 14, the House of Representatives approved the Pension Security Act of 2003 (H.R. 1000) by a 271-157 vote. H.R. 1000, introduced by House Education and the Workforce Committee Chairman John Boehner (R-OH), is very similar to the pension bill passed by the House last year in response to the collapse of Enron. The bill incorporates Chairman Boehner's investment advice legislation, which is strongly supported by the Institute. H.R. 1000 would permit retirement plan providers to offer investment advice to plan participants regardless of whether the institution provides investment options for the plan. Any provider that offers investment advice to 401(k) investors would be subject to ERISA's strict fiduciary standards, which require that the investment advice be solely in 401(k) investors' interests. H.R. 1000 would also allow employees to purchase qualified retirement planning services through salary deductions on a tax-favored basis. H.R. 1000 would require employers to allow 401(k) plan participants to diversify out of company stock received as an employer contribution under one of two alternatives. Employers would have the option to allow workers to sell their company stock three years after receiving it in their 401(k) plan (a rolling diversification period) or alternatively after three years of service with the employer. These provisions would be phased-in over a five-year period. H.R. 1000 would prohibit companies from requiring employees to invest any of their own contributions in company stock. In addition, H.R. 1000 would require 401(k) plan administrators to provide a quarterly benefit statement to plan participants and beneficiaries that includes information such as the value of their assets, their right to diversify, and the importance of maintaining a well-balanced and diversified portfolio. The Education and the Workforce Committee approved H.R. 1000 on March 6.1 Senator Judd Gregg (R-NH), chairman of the Health, Education, Labor and Pensions Committee, has stated his intention to introduce the Senate companion to H.R. 1000. In addition, Senator Charles Grassley (R-IA), chairman of the Finance Committee, intends to introduce pension legislation similar to the bill reported by the Finance Committee last year. We will inform you of further developments. Matthew P. Fink President

1 See Memorandum to Board of Governors No. 10-03, Federal Legislation Members No. 2-03, Primary Contacts - Member Complex No. 24-03, and Public Information Committee No. 5-03.

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