

MEMO# 10425

October 27, 1998

NATIONAL COMMISSION ON RETIREMENT POLICY CHAIRMEN INTRODUCE BILL TO EXPAND PRIVATE RETIREMENT SAVINGS OPPORTUNITIES

1 See Memorandum to the Board of Governors No. 39-98, Federal Legislation Members No. 12-98, Pension Committee No. 35-98, Primary Contacts - Member Complex No. 50-98 and Public Information Committee No. 22-98, dated June 11, 1998. 2 See Memorandum to the Board of Governors No. 47-98, Federal Legislation Members No. 17-98, Primary Contacts - Member Complex No. 65-98 and Public Information Committee No. 30-98, dated July 29, 1998. [10425] October 27, 1998 TO: BOARD OF GOVERNORS No. 73-98 FEDERAL LEGISLATION MEMBERS No. 28-98 PRIMARY CONTACTS - MEMBER COMPLEX No. 101-98 PUBLIC INFORMATION COMMITTEE No. 50-98 RE: NATIONAL COMMISSION ON RETIREMENT POLICY CHAIRMEN INTRODUCE BILL TO EXPAND PRIVATE RETIREMENT SAVINGS OPPORTUNITIES

_____ This May, the bipartisan National Commission on Retirement Policy (NCRP), chaired by Senators Judd Gregg (R-NH) and John Breaux (D-LA) and Representatives Jim Kolbe (R-AZ) and Charles Stenholm (D-TX), issued a report containing comprehensive recommendations on both Social Security reform and other retirement security enhancements.¹ The Commission co-chairmen introduced the NCRP recommendations regarding Social Security reform, which included the establishment of Individual Savings Accounts, in legislative form in July.² To complement the Social Security reform measures, the Commission also recommended several proposals to expand retirement savings through employer pension plans. Just before Congress adjourned, the Commission co-chairs introduced legislation to implement the retirement savings recommendations, as H.R. 4823 in the House and S. 2635 in the Senate. The bills include provisions to: establish a single type of salary reduction retirement plan; a universal 401(k) plan available to all employers and enabling (but not requiring) employers to convert their existing 403(b) and 457 plans into 401(k) plans; enhance portability among different plan types; establish a defined benefit plan equivalent to the SIMPLE plan for small employers; allow a tax credit for small employers who adopt an employer-sponsored retirement plan for the first time; allow an individual who has not been participating in a qualified plan for the past five calendar years and whose income is less than \$50,000 to make additional "catch up" IRA contributions; repeal the 25%-of-compensation limit on employee contributions to a qualified defined contribution plan; and require faster vesting under defined contribution plans. The 105th Congress adjourned on October 21, so no further legislative action will occur this year. However, Senators Gregg and Breaux and Representatives Kolbe and Stenholm are expected to re-introduce both the

Social Security reform bills (S. 2313 and H.R. 4256) and the retirement security expansion proposals (S. 2635 and H.R. 4823) when the new Congress convenes in January. We will keep you informed of further developments. Matthew P. Fink President

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