

MEMO# 7938

June 7, 1996

BILL WOULD LIMIT 401(K) PLAN INVESTMENT IN EMPLOYER SECURITIES AND REAL PROPERTY

June 7, 1996 TO: PENSION COMMITTEE No. 25-96 RE: BILL WOULD LIMIT 401(k) PLAN
INVESTMENT IN EMPLOYER SECURITIES AND REAL PROPERTY

Senator
Boxer (D-CA) has filed a bill that would limit the ability of plan fiduciaries to invest section 401(k) plan assets in qualifying employer securities and real property. Under current law, ERISA section 407 permits fiduciaries to invest without limit the assets of "eligible individual account plans" in qualifying employer securities and real property. Section 407 imposes a 10 percent limitation on these investments in the case of defined benefit plans. The current statutory definition of "eligible individual account plan" includes profit-sharing, stock bonus, thrift and savings plans, employee stock ownership plans and certain money purchase plans. The bill would amend this definition to limit the amount of section 401(k) plan assets (excepting the assets of plans that are participant directed) that may be invested in such securities and property to cases where the total invested, when aggregated with similar investments by all other individual account plans maintained by the employer, does not exceed 10 percent of total plan assets. We will keep you informed of developments. Russell G. Galer Assistant Counsel - Pension Attachment

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