

**MEMO# 15014**

August 8, 2002

## **CONFERENCE CALL TO DISCUSS DEFAULT ROLLOVERS TO IRAS AND "RECONTRIBUTION" PROPOSAL -- AUGUST 14, 2002 AT 2:00 PM EDT**

[15014] August 8, 2002 TO: PENSION COMMITTEE No. 31-02 PENSION OPERATIONS ADVISORY COMMITTEE No. 54-02 RE: CONFERENCE CALL TO DISCUSS DEFAULT ROLLOVERS TO IRAS AND "RECONTRIBUTION" PROPOSAL — AUGUST 14, 2002 AT 2:00 PM EDT A conference call has been scheduled for Wednesday, August 14, 2002 at 2:00 p.m. EDT to discuss two separate matters: (1) the default IRA rollover provision enacted as part of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), and (2) a legislative proposal being developed by congressional staff to allow for certain "recontributions" to retirement plans. Default Automatic Rollovers to IRAs. As you may recall, EGTRRA made a direct rollover to an IRA the default option for involuntary distributions from qualified plans that exceed \$1,000 (and not exceeding \$5,000).<sup>1</sup> The distributions must be rolled over automatically to a designated IRA, unless the participant affirmatively elects to have the amount transferred to another vehicle or to receive it directly. The provision becomes effective after the Department of Labor adopts regulations implementing the provision, not later than three years after the date of enactment. In particular, as part of this discussion, we plan to discuss a draft legislative proposal being developed by other groups to allow plan administrators, at their option, to transfer amounts subject to the default rollover provision to the Pension Benefit Guaranty Corporation (PBGC). The EGTRRA provision on default rollovers to IRAs and the conference agreement description of the provision are attached for your review. "Recontribution" Proposal. A draft proposal is currently being developed by congressional staff to allow individuals that take "early distributions" from certain plans or IRAs to recontribute such amounts to those savings vehicles. During the call, we would like to discuss (1) the desirability of such a proposal, (2) the legal and practical issues that it would raise, and (3) possible recommendations to improve the proposal. The draft legislative language prepared by congressional staff is attached. Notably, because this proposal is not yet publicly available, we ask that you keep these materials confidential. <sup>1</sup> See section 657 of EGTRRA. <sup>2</sup> The dial-in number for this call is 1-888-989-6494 (passcode: "Default IRA Issue"; moderator: Thomas Kim). If you would like to participate in this call, please complete the attached response form and fax it to Brenda Turner by Tuesday, August 13, 2002. In addition, if you have particular issues that you would like to address during the call, please provide them on the attached response form or contact me at (202) 326-5837 or tkim@ici.org. Thomas T. Kim Associate Counsel

Attachments (in .pdf format)

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