

MEMO# 12690

September 29, 2000

IMMEDIATE ACTION REQUESTED ON RETIREMENT LEGISLATION

[12690] September 29, 2000 TO: BOARD OF GOVERNORS No. 57-00 PRIMARY CONTACTS - MEMBER COMPLEX No. 64-00 RE: IMMEDIATE ACTION REQUESTED ON RETIREMENT LEGISLATION We need your immediate help in contacting members of Congress in support of legislation that would make the most significant changes in retirement security legislation since the enactment of ERISA in 1974. On July 19, the House of Representative passed H.R. 1102, the Comprehensive Retirement Security and Pension Reform Act, by a vote of 401-25. On September 7, the Senate Finance Committee unanimously reported a similar bill. The Congress is expected to adjourn by the 13th of October. In view of the importance of this legislation to our shareholders, it is critical that you write a letter in your own words to members of Congress that you know, with whom you have a constituent relationship, or who represent a district where you have a place of business. H.R. 1102 contains the following provisions: • raise the annual limit on IRA contributions for persons under 50 to \$3,000 in 2001, to \$4,000 in 2002, and to \$5,000 thereafter; • allow persons 50 and older to contribute an additional 50% to IRAs beginning in 2001; • index the IRA limit (in \$500 increments) in 2004 and thereafter; • increase the income eligibility limitations for deductible IRAs between 2001 and 2006; • increase the income eligibility limitations for Roth IRAs for couples to double that of individuals (i.e., to \$190,000 from the present \$150,000); • increase from \$100,000 to \$200,000 the income limit on eligibility for couples to be able to convert a traditional IRA into a Roth IRA. • increase contribution limits for 401(k), 403(b) and 457 plans in stages to \$15,000; • increase contribution limits for SIMPLE plans in stages to \$10,000; • eliminate the 25% of compensation requirements for plans; • make pensions more portable; • allow additional pension contributions of up to 50% more than the plan's contribution limit for persons 50 and older; 2 • narrow the definition of a top-heavy plan; • reduce regulatory burdens; • permit 401(k) and 403(b) plans to allow participants to make after-tax contributions whose eventual distributions would be taxed similar to distributions from Roth IRAs; and • provide tax credits for small businesses establishing pension plans, and for small businesses matching contributions to employee plans. Attached you will find talking points which you may use to write your letter. We strongly recommend that you use your own words to relate your experience with shareholders who save for retirement security and why passing legislation this year is important. Please send a blind copy of your letter to the attention of Don Morrissey, Vice President for Legislative Affairs. If you have questions, please call me at 202-326-5801 or Don Morrissey at 202-326-5895 (fax: 202-326-8313). Thank you for your assistance. We will keep you informed as the situation develops. Matthew P. Fink President Attachment no. 1 (in .pdf format)

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