

MEMO# 3138

September 26, 1991

INSTITUTE GIVES SUPPORT FOR EMPLOYEE BENEFITS SIMPLIFICATION ACT

September 27, 1991 TO: BOARD OF GOVERNORS NO. 75-91 PENSION COMMITTEE NO. 27-91 RE: INSTITUTE TESTIFIES IN SUPPORT OF EMPLOYEE BENEFITS SIMPLIFICATION ACT

The Institute testified today before the Senate Finance Committee, Subcommittee on Private Retirement Plans and Oversight of the IRS, in support of S. 1364, the Employee Benefits Simplification Act. The legislation was introduced by Senators Pryor and Bentsen earlier this year. (See Institute Memorandum to Pension Committee No. 19-91, dated June 27, 1991.) The Institute endorsed the bill's provisions which would expand the availability of salary reduction SEP arrangements from businesses with 25 or fewer employees to those with 100 or fewer employees and simplify the non-discrimination rules applicable to salary reduction SEPs by allowing an employer to use a design-based "safe harbor". The safe-harbor would allow employers to avoid any discrimination testing if the employer makes matching contributions to the SEP for employees who make salary reduction contributions. According to the testimony, financial institutions, such as mutual funds, would be encouraged to actively market the salary reduction SEP, if modified as provided by the proposed legislation. The impact of such marketing activity should not be underestimated. The Institute also expressed its support for the provisions in the bill which would repeal most restrictions on rollovers of pension plan distributions to IRAs and which would require direct transfer of pre-retirement pension plan distributions to an IRA or another qualified plan. A copy of the Institute's testimony is attached. We will keep you informed of further developments. W. Richard Mason Assistant Counsel - Pension Attachments