

MEMO# 3912

July 7, 1992

PRESIDENT SIGNS UNEMPLOYMENT COMPENSATION MEASURE INCLUDING PENSION SIMPLIFICATION PROVISIONS

July 7, 1992 TO: PENSION MEMBERS NO. 18-92 OPERATIONS MEMBERS NO. 24-92
TRANSFER AGENT ADVISORY COMMITTEE NO. 33-92 RE: PRESIDENT SIGNS UNEMPLOYMENT
COMPENSATION MEASURE INCLUDING PENSION SIMPLIFICATION PROVISIONS

On July 3, President Bush signed H.R. 5260, the Unemployment Compensation Amendments of 1992. The Act includes the provisions of the Senate-passed version of H.R. 5260 that liberalize the rollover rules and require qualified plans and section 403(b) arrangements to permit employees to elect to transfer distributions eligible for rollover treatment directly into eligible transferee plans, including IRAs. (See Institute Memorandum to Pension Members No. 15-92, dated June 25, 1992.) The Act also includes the requirement that qualified plans and section 403(b) arrangements withhold at a rate of 20 percent from any such distribution not transferred directly to an eligible transferee plan. Modifications to the Senate-passed version include the addition of a requirement that the Secretary of the Treasury develop a model explanation for plan administrators to provide to recipients of distributions eligible for rollover treatment under section 402(f) of the Code and a delayed effective date for section 403(b) arrangements that are prohibited under state law from making direct trustee-to-trustee transfers. In addition, the conference report provides that plan administrators may require employees requesting direct transfers to provide adequate information concerning the transferee plan in a timely manner and may reasonably rely on such information. In addition, the conference report states that such a transfer would be considered a distribution and therefore rights and options available under the transferor plan need not be preserved under the transferee plan for purposes of section 411(d)(6) of the Code. These provisions generally will apply to distributions after December 31, 1992. Anyone who is interested in obtaining a copy of the Act and the accompanying conference report should contact the undersigned at (202) 955-3516. We will keep you informed of further developments. Kathy D. Ireland Associate Counsel - Pension