

MEMO# 8020

July 3, 1996

DEMOCRATIC LEADERSHIP "'FAMILY FIRST AGENDA"' INCLUDES PENSION REFORM

1 It is anticipated that the Department of Labor will release this summer a final plan asset regulation reducing the maximum time frame for remitting employee contributions from the current 90-day standard. See Institute Memorandum to Pension Members No. 54-95, dated December 20, 1995, and No. 9-96, dated February 14, 1996. 2 This proposal appears similar to one proposed by Senator Kennedy (D-MA) earlier this year. See Institute Memorandum to Pension Committee No. 15-96, dated May 2, 1996. 3 See Institute Memorandum to Pension Members No. 17-96, dated April 15, 1996 and No. 22-96, dated June 4, 1996 for details of the Administration *s bill. A similar package of pension simplification proposals and the Republican version of small employer plan legislation (the "SIMPLE" plan) are included in the Small Business Job Protection Act of 1996, H.R. 3448, which has been passed by the House and the Senate Finance Committee. H.R. 3448, which also includes a proposed increase in the minimum wage, is scheduled for debate in the full Senate on July 8 and 9. For a description of H.R. 3448 see Institute Memorandum to Pension Members No. 21-96, dated May 24, 1996. 4 Pension audit legislation, including the repeal of the limited scope audit, was introduced previously as a separate bill, S. 1490. See Institute Memorandum to Pension Members No. 56-95, dated December, 21, 1995. The Senate Committee on Labor and Human Resources has scheduled a hearing and mark-up of S. 1490 for July 17. The Institute continues to oppose efforts to repeal the limited scope audit.

July 3, 1996 TO: PENSION COMMITTEE No. 30-96 RE: DEMOCRATIC LEADERSHIP "FAMILY FIRST AGENDA" INCLUDES PENSION REFORM

Senator Daschle (D-SD) and Representative Gephardt (D-MO) recently released a "Family First Agenda" intended to serve as a conceptual framework for the Democratic Partys legislative agenda. Several pension reform initiatives are included. New legislative proposals include the following: (i) Employers would be required to remit and invest employee contributions to plans in no more than fifteen days.¹ (ii) Pension portability would be enhanced by creating pension plans administered by a "non-profit clearinghouse" to which employees and employers could contribute.² (iii) Monetary and criminal penalties for pension law violations would be increased. The "Family First Agenda" also includes previously proposed pension reform items. The agenda incorporates the Administration*s Retirement Savings and Security Act, submitted to Congress in May.³ This bill contains proposals that would (i) institute a new small employer retirement savings vehicle (the Administration*s NEST proposal), (ii) simplify numerous pension rules including the creation of design-based nondiscrimination safe harbors, (iii) expand the deductible IRA by doubling the income limits, (iv) encourage qualified plans to accept rollovers and plan sponsors to eliminate one-

year waiting periods by eliminating certain regulatory impediments, and (v) increase pension audit and reporting requirements, including the repeal of the limited scope audit.⁴ The Democratic "Family First Agenda" includes initiatives intended to increase women's pension rights. Initiatives include directing the Internal Revenue Service to develop a model spousal consent form regarding survivor benefits and model qualified domestic relations order form. We will keep you informed of developments. Russell G. Galer Assistant Counsel

- Pension - 2 - Attachment

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