

MEMO# 1952

June 5, 1990

457 PLAN PASS-THROUGH INSURANCE PROPOSED

June 5, 1990 TO: PENSION MEMBERS NO. 27-90 RE: 457 PLAN PASS-THROUGH INSURANCE PROPOSED _____ As you recall, the Federal Deposit Insurance Corporation ("FDIC") recently approved final regulations which would insure deposits of plans which qualify under section 457 of the Internal Revenue Code ("457 Plans") in the amount of \$100,000 in the aggregate. (See Institute Memorandum to Pension Members No. 22- 90 dated May 11, 1990.) The FDIC provided for a transition period until January 29, 1992 during which 457 Plan deposits in thrift institutions formerly covered by the FSLIC would be insured by the FDIC in the amount of \$100,000 per 457 Plan participant. This transition rule was designed prevent a mass withdrawal of 457 Plan accounts from thrifts and to allow Congress to pass legislation which would permanently provide for FDIC insurance up to \$100,000 for each 457 Plan participant. In response to the FDIC regulations, Senator Metzenbaum introduced H.R. 2694, the Deferred Compensation Plan Participant Protection Act of 1990, which is attached hereto with the accompanying Record statement. The bill would give the FDIC the statutory authority to provide insurance coverage in the amount of \$100,000 to each 457 Plan participant, whether 457 Plan accounts are held in banks or thrift institutions. We will keep you informed of further developments. W. Richard Mason Assistant General Counsel Attachment

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