

**MEMO# 1797**

March 27, 1990

## **S. 2199, THE HEALTH CARE AND LONG-TERM CARE SECURITY ACT OF 1990**

March 27, 1990 TO: PENSION COMMITTEE NO. 6-90 RE: S. 2199, THE HEALTH CARE AND LONG-TERM CARE SECURITY ACT OF 1990

Attached is a copy of S. 2199, the proposed Health Care and Long-Term Care Security Act of 1990. The accompanying Record statement is also attached. Section 202 of the bill would permit employers to prefund retiree health benefit accounts within defined benefit plans under certain circumstances. Amounts in a funded reserve account would be required to be portable upon the employee's separation from service or after termination of the plan, either to a subsequent employer's health benefit account or to an IRA. The bill states that if the employee's subsequent employer does not maintain a similar plan, the assets must be transferred to an IRA "established for the benefit of such employee," but does not address whether the IRA would be chosen by the employer or the employee. Under the proposal, the transfer would be required to take place within 120 days of the separation from service or termination of the plan. In addition, the bill would amend section 408 of the Code to require that the IRA trust instrument must provide that the trust will accept such transfers. The trustee would also be required to maintain separate accounting for such assets, primarily because the penalty tax on distributions of such amounts from an IRA would be increased from 10 to 50 percent. We will discuss this proposed legislation at the Pension Committee meeting on April 5. Kathy D. Ireland Associate General Counsel Attachment

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