

MEMO# 13860

August 17, 2001

INSTITUTE SUBMITS LETTER TO THE TREASURY DEPARTMENT ON REVISIONS TO MODEL 402(F) NOTICE

[13860] August 17, 2001 TO: PENSION COMMITTEE No. 59-01 PENSION OPERATIONS ADVISORY COMMITTEE No. 51-01 RE: INSTITUTE SUBMITS LETTER TO THE TREASURY DEPARTMENT ON REVISIONS TO MODEL 402(f) NOTICE The Institute today submitted the attached letter to Treasury officials recommending revisions to the IRS model 402(f) notice pursuant to the Economic Growth and Tax Relief Reconciliation Act (EGTRRA). The letter was based on member comments, including those discussed during an August 8th conference call. The recommended modifications to the model notice address the following: (1) the types of plans eligible to receive rollovers; (2) clarification that plans are not required to accept rollovers or all types of distributions (such as after-tax amounts); (3) distribution restrictions placed on certain types of plans (such as a spousal consent requirement); (4) issues arising from rollovers of after-tax contributions (both plan-to-plan and plan-to-IRA); (5) inability to roll over hardship withdrawals; (6) 457 plan issues; and (7) the rollover rights of surviving spouses. The letter also asks for clarification regarding various substantive issues, including whether rollovers of after-tax amounts to 403(b) and 457 plans are permissible and the availability of capital gains and income-averaging treatment for certain distributions. In addition, apart from the EGTRRA-related changes, the letter urges simplification of the model notice overall to make the notice more understandable to participants. Thomas T. Kim Assistant Counsel Attachment Attachment (in .pdf format)