

93^d CONGRESS
1st Session

H. R. 9970

IN THE HOUSE OF REPRESENTATIVES

August 3, 1973

Mr. HUNGATE introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1954 to permit certain retroactive amendments in qualified pension plans and to change certain provisions concerning qualification of pension plans.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) section 401 (a) (3) (A) of the Internal Revenue
4 Code of 1954 (relating to certain requirements for qualifica-
5 tion of pension, etc., plans) is amended by striking out "ex-
6 cluding in each case" and inserting in lieu thereof "excluding
7 in each case employees covered by a collective-bargaining

1 agreement which does not specifically provide for their
2 inclusion.”.

3 (b) Section 401 (a) (5) of such Code (relating to cer-
4 tain requirements for qualification of pension, etc., plans) is
5 amended by inserting after the second sentence thereof the
6 following new sentence: “Determination of whether a plan is
7 discriminatory within the meaning of paragraph (3) (B) or
8 (4) shall be made without taking into account any employees
9 covered by a collective-bargaining agreement which does not
10 specifically provide for their inclusion.”

11 (c) Section 401 (b) of such Code (relating to certain
12 retroactive changes in plan) is amended by adding the follow-
13 ing new sentence at the end thereof: “In the case of plan
14 deficiencies, retroactive amendment shall be permitted in
15 any plan intended to meet the requirements of section 401 for
16 any taxable year in which the section 6501 statute of limita-
17 tions does not apply in order that the employer may cure
18 such deficiencies so that loss of employee’s benefits shall not
19 occur.”.

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By Mr. HUNGATE

AUGUST 3, 1973

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BILL		DATE	PAGE(S)
	H.R. 9909		
ACTION	Introduced by Mr. Tiernan	August 3, 1973	H7458-7459

PENSION REFORM LEGISLATION

(Mr. TIERNAN asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. TIERNAN. Mr. Speaker, last week Senator PHILIP HART introduced legislation which I believe would bring tremendous progress in reforming our private pension system. For this reason, I am introducing a similar bill today although I wholeheartedly support the pension reform legislation which has previously been introduced by Congressman DEWE.

The legislation now being discussed by the House has been extremely important in focusing attention on abuses in the pension system. Proposed reforms would remedy the dangers a long-service employee has of losing his earned pension. Giant strides in the areas of vesting, funding and insurance are being made by these reforms.

But reforms must go further, they must deal with the basic structure of the pension system. The basic assumption in the pension system is that large numbers of persons must lose in order to have a few benefit. True reform would abolish this assumption.

The real shortcoming of provisions presently being considered is that the benefits will not be extended to most workers. First, they will not benefit 50 percent of our workers, those that are not covered by a pension plan. Second, of the workers presently covered by pension plans, proposed reform will not

benefit the worker who changes jobs frequently in our mobile society. In most plans a worker who changes jobs only once every 5 years will not receive any benefits from these reforms.

Finally, the surviving spouse or dependents of pension program participants will receive no benefit. Since the Federal Government provides a tax subsidy to the private pension system to the tune of \$8 billion annually, it is imperative that reforms encompass the broadest possible base of the working population. The bill I am introducing would do that.

This bill would completely restructure the private pension system. It would create a limited number of private, competitive, insured institutions regulated by the Securities and Exchange Commission. These institutions would vie for contributions made by employers for their employees or by employees and self-employed persons for themselves and their dependent spouses. An employee need not be covered by a pension plan to make contributions to these institutions. Employees can evaluate each institution and choose where their contributions will be invested. These contributions will be tax deductible. The employee chooses when to retire, he then begins receiving a lifetime annuity calculated on the basis of the total amount in his account and his actuarially determined life expectancy. If the pension participant dies the surviving spouse would continue to receive benefits.

An added advantage of this new structure is that the institutions would bear the administrative costs of the retirement funds. Many small firms previously have been hampered in starting pension plans because the administrative costs were prohibitive. This obstacle for small firms would be removed under this new system.

Now that we have begun pension reform, we should not leave it at the first stage but carry through with our efforts to extend reform to cover all workers.