WORK IN PROGRESS

February 27, 2006

RETIREMENT PLAN COMMUNITY URGES CONFEREES TO INCLUDE EGTRRA PENSION AND RETIREMENT SAVINGS PERMANENCY IN PENSION REFORM CONFERENCE REPORT

The undersigned organizations, representing the broad spectrum of employer plan sponsors, labor organizations, financial institutions, and retirement plan service providers, commend the House of Representatives for including in HR 2830, the Pension Protection Act of 2005, a provision making the pension and retirement savings provisions in Title VI of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) permanent. The companion Senate legislation, S 1783, the Pension Security and Transparency Act of 2005, does not include this important provision. Many critical retirement savings provisions are in EGTRRA. The Administration's FY 2007 Budget proposal would also make these provisions permanent.

The EGTRRA pension and retirement savings provisions, which will expire at the end of 2010 or earlier unless Congress acts, permit Americans to save more in employer plans and IRAs; ease portability among various plans; and provide significant administrative relief to employers who sponsor plans. In addition, the provisions include targeted measures such as the Saver's Credit, which benefit low-income savers, and catch-up contributions that permit older workers to save more under the plans and IRAs. These changes are the most recent product of an enormously successful partnership among employers, financial institutions, and government that has resulted in a system that permits rank and file workers to share in America's prosperity while building critical retirement income security.

Permanency, as opposed to repeated short term extensions of the EGTRRA pension provisions, is critically important to the millions of Americans that benefit from employer provided and individual retirement account programs. Trillions of dollars are invested in the economy through these programs. Hundreds of millions of dollars more are invested in systems that successfully administer these programs. A stop-start cycle of extensions of the EGTRRA provisions will unnecessarily divert a portion of participants' total savings to retooling these systems in anticipation of expiring provisions. Plan sponsors will confront uncertainty about legal compliance and the future design of their retirement plans. The communications difficulties that would result from intermittent extenders will confuse savers and possibly drain dollars from their accounts. Workers will be more reluctant to join savings programs when faced with confusing plan terms and uncertain contribution limits, and employers will be more reluctant to establish or maintain plans. These deleterious effects will begin long before the actual expiration date of the EGTRRA savings provisions. Any delay will increase the cost of enacting EGTRRA permanency.

We urge the conferees to ensure that both the pension reform conference report and the final pension reform bill retain this important provision. The time to act is now.

AMERICAN BANKERS ASSOCIATION

AMERICAN BENEFITS COUNCIL

AMERICAN COUNCIL OF LIFE INSURERS

AMERICAN HOMEOWNERS GRASSROOTS ALLIANCE

AMERICAN HOMEOWNERS FOUNDATION

AMERICAN SOCIETY OF PENSION PROFESSIONALS & ACTUARIES

THE ERISA INDUSTRY COMMITTEE

FINANCIAL PLANNING ASSOCIATION

THE FINANCIAL SERVICES ROUNDTABLE

INDEPENDENT COMMUNITY BANKERS OF AMERICA

INVESTMENT COMPANY INSTITUTE

NATIONAL ASSOCIATION OF GOVERNMENT DEFINED CONTRIBUTION ADMINISTRATORS

NATIONAL ASSOCIATION OF MANUFACTURERS

NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

PROFIT SHARING / 401k COUNCIL OF AMERICA

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