



Nonqualified Deferred Compensation Legislation **Harmful to Supplemental Pensions**

The provisions in HR 4520 and S 1637 will restrict the payments of supplemental pensions and nonelective deferred compensation arrangements for middle management. The legislation is not restricted to deferrals by the top executives of a company.

The legislation's overly restrictive rules on employee elections would cause most supplemental pensions in place today to become immediately taxed.

For example, the legislation prohibits elections on the form of payouts. As a result, supplemental pensions would be taxed immediately because the supplemental pension is paid in the same form that the employee elects under the employer's qualified pension plan at the time that the employee retires.

Supplemental pensions are critical to the retirement planning for management employees who may earn more than is allowed under the tax-qualified plan rules but who are well below the senior executive level. (E.g., \$200,000.)

Supplemental pensions also build loyalty to the business and are important retention and recruiting tools.