

LLOYD DOGGETT  
25TH DISTRICT, TEXAS

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## Congress of the United States House of Representatives

November 17, 2009

WASHINGTON OFFICE:  
201 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515  
(202) 225-4865

DISTRICT OFFICE:  
300 EAST 8TH STREET, SUITE 763  
AUSTIN, TX 78701  
(512) 916-5921

LLOYD.DOGGETT@MAIL.HOUSE.GOV  
www.house.gov/doggett  
1-866-916-5921

### End Abusive and Discriminatory Retirement Plan Practices Cosponsor the Retirement Fairness Act

Dear Democratic Colleague:

Much has been made of how Wall Street has continued to benefit at the expense of Main Street. An egregious example that has received little coverage to date is how companies abuse pension plans to benefit their executives at the expense of employees.

Tax-advantaged retirement plans are intended to encourage companies to contribute to their workers' retirement. Current law, however, allows companies to manipulate these plans to reap large tax breaks for generous contributions for their executives while making only minimal contributions for rank-and-file workers. To ensure that companies cannot continue to manipulate these plans to divert tax-advantaged retirement benefits intended for rank-and-file workers to highly-paid executives, I am introducing the Retirement Fairness Act.

Qualified retirement plans are subject to certain nondiscrimination and coverage rules that limit the level of plan benefits or contributions for highly-compensated employees in relation to the level of benefits or contributions provided to rank-and-file workers. As the Wall Street Journal article below describes, these rules are subject to manipulation and abuse.

The Retirement Fairness Act would:

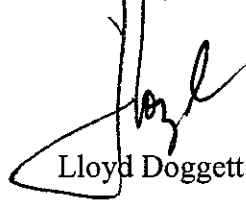
- **Improve coverage of non-executive employees.** Closes a loophole in the coverage test that allows employers to pick and choose the workers they cover in order to minimize non-executive benefits or contributions relative to benefits or contributions given to highly-compensated executives.
- **Incentivize more secure retirement.** Only allows employers to take into account benefits and contributions workers are guaranteed to receive (i.e. vested benefits or contributions) for purposes of demonstrating that the plan does not discriminate in favor of highly-compensated executives.

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- **Eliminate “cross-testing” which overestimates worker plan value.** Employers may satisfy the nondiscrimination rules “cross-testing” the benefits or contributions provided to workers. Cross-testing allows companies to inflate the value of retirement compensation provided to workers, allowing companies to maximize retirement pay for executives while providing workers with the lowest possible amounts.

Please join me in closing loopholes in the qualified retirement plan rules that encourage abusive and discriminatory compensation practices. For additional information, or to cosponsor the Retirement Fairness Act, please contact Cameron Arterton or Ray Stahl at 225-4865, or by email at [Cameron.Arterton@mail.house.gov](mailto:Cameron.Arterton@mail.house.gov) or [Raymond.Stahl@mail.house.gov](mailto:Raymond.Stahl@mail.house.gov).

Sincerely,



Lloyd Doggett

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