Gridlock Revisited: 
On The Road Toward Pension Simplification

The gridlock snarling the nation’s retirement system continues! The laws and regulations that govern the system are complex, cumbersome and costly. While most of the rules are well-intentioned, the cumulative effect of nearly two decades of legislation is that, rather than encouraging the establishment of new plans to provide for retirement income security for America’s retirees, new plan formation has come to a virtual standstill . . . indeed a decline.

The facts speak for themselves. In Fiscal Year 1989, according to the Internal Revenue Service (IRS), terminations of existing defined benefit pension plans rose by 37 percent and new plan creations dropped by 67 percent. In the following year more plans were terminated with an average size of over 100 participants. Equally alarming, in Fiscal Year 1990, for the first time there was net negative growth of defined contribution plans (plans like profit-sharing plans and 401(k) retirement savings plans). Terminations of these plans rose by 29 percent, while the number of new defined contribution plans fell by 50 percent.

Rather than merely complain about the challenges confronting the retirement system, the APPWP decided to provide lawmakers with meaningful and doable proposals that would make the system not simple . . . but certainly simpler. The outcome of this process was the 1989 APPWP publication, Gridlock: Pension Law in Crisis and the Road to Simplification, which contained 29 specific recommendations to simplify or remove some of the most complex, duplicative or no longer needed provisions of the Internal Revenue Code and ERISA.

Throughout the development of Gridlock, the APPWP was guided by two principals. First, the recommendations should not pursue new retirement policy or tax policy, but rather make current policy operate more smoothly. Second, recognizing the realities of the federal budget deficit, the proposals should not be inordinately costly. And because we have set these principals for ourselves in championing the cause of simplification, the APPWP will apply these same criteria to others’ legislative proposals.

Simplification is Succeeding

The APPWP is delighted that such a vast and diverse constituency for pension simplification has emerged. In 1990 several organized labor, state and local employer and business groups joined the coalition in favor of the “Employee Benefit Simplification, Act” sponsored by Senator David Pryor (D-AR) and a majority of the Senate Finance Committee and by Rep. Rod Chandler (R-WA) and a bi-partisan group of the House Ways & Means Committee. Some of the APPWP’s recommendations and the proposals in the Pryor/Chandler legislation of last year have already borne fruit: the regulations defining the term “compensation” and the revised proposal concerning the minimum participation rules are examples.

This year a number of simplification initiatives have been introduced. A third of the U.S. Senate has joined Senator David Pryor and Senator Lloyd Bentsen (D-TX) in a reintroduction of last year’s Pryor bill. Rep. Benjamin Cardin (D-MD), a member of the Ways & Means Committee, has introduced the companion bill in the House of Representatives. These measures, S. 1364 and H.R. 2742 are entitled the “Employee Benefits Simplification and Expansion Act.”

House Ways and Means Chairman Dan Rostenkowski (D-IL) has introduced a bill, H.R. 2730, the “Pension Access and Simplification Act” patterned largely after the Bush Administration Pension Opportunity for Workers’ Expanded Retirement (POWER) proposal. The Rostenkowski bill contains a few simplification concepts proposed by the APPWP, but it also seeks to expand pension coverage for small firms by means of a modified Simplified Employer Pension (SEP) plan. Many small business groups for whom the SEP is intended have indicated that the SEP proposed in H.R. 2730 would be too costly for them to use.

By far the most comprehensive simplification measure introduced to date, is H.R. 2641 the “Employee Benefits Simplification Act” introduced by Rep. Rod Chandler (R-WA) and a bi-partisan group of members of the Ways & Means Committee: Reps. Anthony (D-AR), Archer (R-TX), Guarini (D-NJ), Johnson (R-CN) and Matsui (D-CA). The APPWP appreciates that the Chandler bill incorporates numerous APPWP proposals.

The various bills under consideration are far from perfect. All three would repeal 5 year averaging of lump sum distributions. The Rostenkowski measure also repeals 10 year averaging and the deferral of tax on net unrealized appreciation on employer stock. The Pryor/Bentsen & Cardin bills contain a provi-
sion requiring the transfer of most pre-retirement distributions to an IRA or another qualified plan. The APPWP will continue to vigorously oppose proposals that do not simplify the pension system but, rather, raise revenue or further certain policy goals.

The APPWP reiterates its support for the proposals contained in Gridlock. What follows is a highlight of some of the most critical proposals from Gridlock that demand action this year. At the same time, the APPWP earlier this year identified additional problem areas that must be corrected concerning proposed nondiscrimination rules and proposed separate lines of business rules. These proposed regulations either fall far short of what is needed to make plans workable or do not implement Congressional intent. Each problem either requires a legislative correction or is unlikely to be fixed in final regulations, so legislation is appropriate. We applaud Rep. Chandler and the co-sponsors of his bill for addressing many of these serious problems as part of their bill.

Simplification of the retirement system is not an academic exercise. The future retirement income security of millions of American workers depends upon un-snarling the current pension system’s gridlock. The APPWP applauds the bi-partisan leaders who have committed themselves to that goal.

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Reader’s Note: What follows is a description of some of the major pension law complexities identified by the APPWP either in its 1989 “Gridlock” report or its 1991 Supplemental List of Simplifications. Following each description of the problem is the APPWP’s recommended solution and the relevant section number of each bill (e.g. Chandler, Rostenkowski, Pryor/Bentsen & Cardin) which addresses all or a portion of the problem.

401(k) Plans: Average Deferral Percentage Tests

The Problem:

The average deferral percentage (“ADP”) tests of Code Section 401(k) and the average contribution percentage (“ACP”) tests of Code Section 401(m) are too complex, are unnecessary and are unfair to those at the low end of the so-called highly-compensated employee group. The rules for calculating the limits and correcting any excess contributions are extremely complicated, particularly when both the ADP and ACP tests are required and when contributions may be treated as deferrals or vice versa.

The ADP test, which limits elective pre-tax deferrals, is unnecessary because the $7,000 (indexed) limitation on these contributions effectively prohibits discrimination in favor of the highly compensated, as long as the opportunity to make elective deferrals is generally available (as is the case for 403(b) annuities and Simplified Employee Pensions, SEPs.) The unfairness of the ADP test is its disproportionate impact on middle income employees. For example, suppose a $60,000 per year middle manager and a $300,000 per year top executive both defer the statutory maximum contribution ($5475 in 1991) to a 401(k) plan. Under current law, the employee with the highest percentage of deferral must first reduce his contributions if the ADP tests are not met. Thus, the ADP tests force the middle manager to take back much of his contribution and go through the headache of filing amended returns, etc., while the top-paid executive suffers no ill effect.

The ACP test of Code Section 401(m), which limits employer matching contributions and employee after-tax contributions, is hard to understand because it tests two disparate types of contributions together, and it involves the same complexity as the ADP tests, with the added factor of contributions of one sort being recharacterized or otherwise treated as contributions of another sort under very difficult technical rules. The “multiple use test,” which permits use of the more liberal disparity amounts for either the ADP or the ACP test, but not for both, is unnecessarily complex.

The Solution:

Gridlock originally proposed the elimination of the ADP tests. We continue to support this proposal to simplify the law. The ADP tests should be eliminated and the cash-or-deferred arrangements of an employer should be deemed to be nondiscriminatory if all non-excludable employees of the employer are eligible to make elective deferrals under a cash-or-deferred arrangement. While this proposal was met with enthusiasm by many, it also generated some negative reaction from those who felt that nondiscrimination rules were important in addition to dollar limitations. Consequently, the bills proposed in 1990 by Sen. Pryor and Rep.
Chandler, and the various measures introduced in 1991, did not eliminate the ADP tests altogether, but established a safe harbor alternative. Under the safe harbor in the Pryor/Bentsen & Cardin bill, the ADP tests would not have to be run if the plan provided fully-vested contributions on behalf of each non-highly compensated employee which matched dollar-for-dollar the employees’ contribution up to the first 3% of compensation, and provided a 50% match for employees’ contributions between 3% and 5% of compensation.

While the APPWP generally supports the idea of a safe harbor if the repeal of the tests is not feasible, the safe harbor should be large enough for more than just a small boat! The matching contribution envisioned in this bill exceeds the levels currently offered in most plans, and we do not believe the trade-off of the ADP tests for a more expensive 100% match requirement would be viewed as positive by many plan sponsors. A safe harbor which required a fully-vested 50% match of elective deferrals up to 5% of compensation would be more realistic.

The Chandler bill of 1991 comes much closer to the APPWP recommendation. The safe harbors would allow a 100% match on the first 3% of compensation, or a 50% match on the first 6% of compensation or a non-elective contribution of 3% of compensation. If any of these criteria are met, the need for testing would be avoided.

Each of the bills (Chandler, Rostenkowski, and Pryor/Bentsen & Cardin) also recognize that the ADP rules themselves must be simplified for those employers who will not use the safe harbors. Each bill simplifies the rules to some degree. The Chandler bill does it best by permitting employers to use the prior year data in running the 401(k) plan test, but not making other changes to the test. The Rostenkowski bill also requires the use of prior year data, which simplifies testing. But it eliminates the ability to “average” the contributions of highly compensated employees which, as described earlier, limits contributions by middle income earners, not the highest earners.

Finally, the Chandler and Pryor/Bentsen & Cardin bills would fix the “correction” feature of the ADP/ACP test so that employees with the highest dollar contribution—not percentage contribution—would have their deferrals reduced.

(Sec. 104, Chandler; Sec. 105 Pryor/Bentsen & Cardin; Sec. 302, Rostenkowski.)

**Definition of Highly-Compensated Employee**

**The Problem:**

The statutory definition of “highly-compensated employee” and the proposed regulations implementing this definition impose significant data collection and processing difficulties for plan sponsors, which completely outweigh any benefit thereby achieved. The policy objective—eliminating discrimination—can be achieved in a much simpler manner.

In addition, one of the most difficult problems which employer plan sponsors face today is the inability to provide benefits to employees who are considered highly-compensated for purposes of the Internal Revenue Code but not for purposes of an excess benefit plan under Title I of ERISA. This group of employees (earning over $60,535 in 1991) may have their benefits cut back in order to satisfy nondiscrimination requirements, but may not have these lost benefits made up through nonqualified unfunded plans. Title I of ERISA permits such plans only for “a select group of management and highly-compensated employees,” and does not provide definitions for these purposes. Unless the term “highly-compensated employee” under Title I is defined the same as in Code section 414(q), these employees may never receive their full benefits. The U.S. Department of Labor has indicated that it does not intend to define the term to be the same as in the Internal Revenue Code.

**The Solution:**

**Gridlock** calls for simplification of the definition of “highly-compensated employee,” by defining it with reference to a single level of compensation (between the indexed levels called for in the current definition), and including 5% owners. In addition, **Gridlock** recommends permitting the employer to choose the determination period (plan year, tax year or calendar year) and to elect to use the current or prior year’s data, making it a single year test.

These suggestions would significantly simplify nondiscrimination testing for all plans. An alternative to employer election of the determination period would be to require that the group of highly-compensated employees be determined using calendar year data, and that plans be tested for the plan year or fiscal year based on employees who were highly compensated during the previous calendar year. Of course, indexing the dollar limits in
the definition is critical. We also suggest that indexing of all amounts in the Code be done by reference to an index available in the third quarter of the calendar year, so that revised limits would be known as of each January 1.

Further, ERISA should contain a definition of “highly-compensated employee” which is the same as the definition in the Code. This would permit employers to provide full benefits to all employees, even those highly compensated employees at the lower end of the compensation range whose benefits are limited by Code provisions and who may not be eligible for nonqualified unfunded plans unless the ERISA definition is the same.

(Secs. 101 and 102, Chandler; Secs. 101 and 102, Pryor/Bentsen & Cardin; Secs. 303 and 304, Rostenkowski)

Minimum Distribution of Benefits

The Problem:
One of the most complicated areas of pension law involves the distribution of benefits to plan participants. We have called these rules the “Goldilocks provisions”—the benefit may not be too little or too much, too early or too late; like Goldilocks and her porridge, every participant/taxpayer must find the distribution which is “just right.” Code section 401(a)(9), which governs commencement of distributions and minimum distributions, is a mass of charts and tables, calculations and special rules, all to implement a policy which no longer really exists due to the 1986 repeal of the estate tax exclusion: the prohibition against using retirement plans as an estate planning vehicle.

Leased Employees/Aggregation of Employers

The Problem:
Many of the key provisions of the Code which govern qualified plans are applied to the entire controlled group of employers. The rules for aggregating employers under common control for these purposes are inordinately complex. In addition, for many of these provisions, the employers must treat “leased employees” as “employees” to determine whether or not their plans are discriminatory. The proposed leased employee rules are, many think, some of the most difficult rules ever proposed by the IRS.

The Solution:
The rules for determining the identity of the “employer” under Code sections 414(m) and (o), and for identifying leased employees under Code section 414(m) must be simplified. We suggest the addition of some safe harbors under Code section 414(m), so that organizations could apply a “bright line” percentage test to determine whether or not they should be aggregated. All of the simplification bills would redefine the term “leased employee” to include only individuals who perform services under the control of the recipient—an approach advocated by the APPWP.

(Sec. 301, Chandler; Sec. 301, Pryor/Bentsen & Cardin; Sec. 301 Rostenkowski)

Rollover Rules

The Problem:
The current restrictions on partial rollovers and rollovers of employee contributions add complexity and limit portability, and create an incentive for participants to spend distributions rather than saving them for retirement.
The Solution:

Gridlock argued for the elimination of all restrictions on rollovers from qualified plans into IRAs, so that a participant receiving a distribution of any amount from a qualified plan would be permitted to rollover that amount into an IRA and thus keep it in a qualified retirement vehicle. Such a change would encourage participants to save retirement funds for retirement and would enhance portability. This easy, obvious simplification should not only be noncontroversial, but would be a major step forward in making retirement distributions “user friendly.” The 1991 bills all would eliminate most restrictions on partial rollovers. The Chandler bill allows the rollover of employer and employee contributions. The other two measures allow only employer contributions to be rolled over.

(Sec. 201, Chandler; Sec. 201, Pryor/Bentsen & Cardin; Sec. 101, Rostenkowski)

Maximum Benefit Limitations

The Problem:

The Code imposes a 15% excise tax on individuals each year whose distributions from qualified retirement plans exceed a certain amount. This excise tax, under Code Section 4980A which came into being in 1986, originally was intended to replace the complex combined plans limitations of Code section 415(e) with a simpler and more equitable scheme for limiting retirement income (Tax Reform for Fairness, Simplicity, and Economic Growth; the Treasury Department Report to the President, Volume 2 pg. 351, November 1984). However, as finally enacted, the excise tax does not replace the combined plans limitations but is applied in addition to them, and it is neither simple nor equitable. This is a classic case of duplicative rules which are aimed at a single policy objective. Moreover, the excise tax punishes good investment performance in defined contribution plans. Not only is the application and calculation of the excise tax so complex that even tax professionals and IRS personnel may misconstrue the rules, but it is also redundant and contrary to other policies, and poses severe difficulties for any individual potentially subject to it.

Separate Line of Business Rules

The Problem:

The 15% excise tax of Code Section 4980A should be repealed. If, however, the excise tax is preserved in any way, the combined plans limitation of Code section 415(e) should be deleted. The record keeping requirements of this test are enormous. One large APPWP member company has estimated that it requires 60 to 70 hours to obtain the data and make the calculations for each individual affected. This company performs the calculations only for retirees; to do so for all 100,000 of its employees would require an entire staff of employees working full time. This complication arises because the defined contribution portion of the calculation requires historical data which includes loans from the plan and compensation received and allocations made in each year back to the 1980 when the plan came into being. Elimination of this test would not only simplify the law and the administration of retirement plans, but would also raise revenue as it would permit additional funds to be paid out of qualified plans instead of through nonqualified arrangements.
proposed nondiscriminatory classification tests on an employer-wide basis, and that if the employer wishes to test one plan on a separate line of business basis it must allocate all employees to qualified separate lines of business. These rules would make the statutory provision virtually meaningless, as only a very few employers will be able to satisfy them.

The Solution:

The APPWP proposes a threefold change to simplify these rules. First is the deletion of Code section 410(b)(5)(B), the nondiscriminatory classification precondition. Thus, each plan of a qualified separate line of business would be tested for coverage based only on employees of the separate line. Second, in allocating employees for purposes of the separate employee workforce and separate management tests, each employee would be allocated (in accordance with special rules) to only one line of business. Third, a special rule for headquarters employees (i.e., employees who perform no more than 50% of their services for any one line of business) would be provided, under which an employer may treat its headquarters as a separate line of business and allocate all headquarters employees to that line, provided that at least 60% of the headquarters employees are non-highly compensated. This 60% requirement would be lowered if the concentration of highly-compensated employees of the employer in its headquarters is less than 85% of the employer’s highly-compensated employees.

(Sec. 318, Chandler)

Nondiscrimination Rules

The Problem:

On May 10, 1990, the IRS issued proposed regulations intended to govern discrimination in qualified retirement plans under Code section 401(a)(4). The intent of this proposal, as stated in the preamble to the proposed regulations, was to consolidate and simplify existing rules, as well as to reflect new statutory provisions and legislative history and to provide an integrated framework for applying the nondiscrimination provisions of the Code.

For some plans, the rules fulfill this promise. However, despite the expressed intention of simplifying the rules, the proposed regulations impose substantial additional complexity upon all but the few “plain vanilla” plans which can meet the allowable safe harbors. The vast majority of plans currently in existence will fail to satisfy one of the safe harbors provided in the proposed regulations, and must then pass a general nondiscrimination test. Under this general test, a plan satisfies Code section 401(a)(4) only if no single highly-compensated employee has an accrual rate greater than that of any non-highly compensated employee. In order either to meet this test or to avoid it, the proposed regulations permit plans to be restructured into component plans, each of which may then be tested separately, provided each component separately satisfies the minimum coverage rules set forth in regulations issued under Code section 410(b).

Not only are the restructuring rules (and even just the data collection for the general test in the absence of restructuring) inordinately complicated, but such a worst case test was not mandated by the changes made by the Tax Reform Act of 1986 (TRA ’86) nor is it supported by any published position of the IRS issued prior to TRA ’86. The fact that one highly-compensated employee can cause a plan to be disqualified cannot be supported under the statute or legislative history of TRA ’86!

The Solution:

A far better approach would be to replace the worst case test with an averaging test under which plans would satisfy the nondiscrimination requirements if the average accruals for the non-highly compensated employees equal or exceed the average accruals for the highly-compensated employees. Such a rule would result in substantial simplification, because it would avoid the need for restructuring in most cases. Of course, some administrative difficulty would remain, because individual accrual rates would still have to be determined and averaged annually, but the complicated artificiality of restructuring would, for the most part, be unnecessary. More importantly, it would permit the continuation of most large plans that have been deemed nondiscriminatory for years, without requiring enormous effort and expense annually to prove what they have known all along—that they, in fact, are nondiscriminatory.

(Sec. 317, Chandler)
Other Nondiscrimination Issues

A number of additional nondiscrimination issues have arisen as regulations have been proposed to implement TRA '86. These include:

Mandatory Disaggregation of Employees Covered By Collective Bargaining

The Problem:
Under proposed coverage regulations and final 401(k) regulations, the portion of a plan that benefits employees who are included in a collective bargaining unit and the portion of the plan that benefits noncollective bargaining unit employees must be treated as separate plans for purposes of the coverage and nondiscrimination rules. This will cause plans covering at least 70% but less than 100% of the employer’s non-highly compensated employees to fail the coverage ratio test if a significant percentage of the non-highly compensated employees covered by the plan are collectively-bargained employees. In addition, this rule causes enormous difficulty for section 401(k) plans which cover both unionized and non-unionized employees.

The Solution:
To solve the problem of union disaggregation, the law should permit plan sponsors to elect to include employees in a collective bargaining unit (who are covered under the plan) for testing under the discrimination rules.

(Sec. 310, Chandler)

Social Security Bridge

The Problem:
The proposed Social Security integration regulations prescribe reductions in the maximum permissible excess and offset allowances for plans that provide unreduced benefits commencing before a participant’s Social Security retirement age. Because there is no exception for Social Security bridge payments (which provide additional benefits for early retirees until their Social Security benefits begin), plans that provide for such bridge payments do not meet the integration rules or satisfy any of the nondiscrimination safe harbors. This is the case even though the plan essentially is not integrated for benefits payable before normal retirement age, and only integrates benefits after Social Security payments commence.

The Solution:
To continue to allow plans to provide Social Security bridge payments, they should not be treated as unreduced benefits commencing before the participant’s Social Security retirement age for testing permissible disparity under a plan, and should be eligible to be considered in testing most valuable accruals under Code section 401(a)(4).

(Sec. 311, Chandler)

Uniform Retirement Age

The Problem:
The proposed nondiscrimination regulations under Code section 401(a)(4) provide several safe harbor rules for determining whether the benefits under a defined benefit plan are nondiscriminatory. In order for a plan to use the safe harbor rules, the regulations provide that the plan must use a uniform retirement age for purposes of calculating the employee’s benefits. The employee’s Social Security retirement age is not treated as a uniform age; accordingly, a plan that fully integrates its benefit with Social Security will be unable to use any design-based safe harbor without restructuring. The general nondiscrimination test for plans not satisfying a safe harbor also requires that benefits be determined by reference to a uniform age, so fully-integrated plans will have difficulty meeting the general test as well.

The Solution:
The law should be amended to make the Social Security retirement age (rather than age 65) the maximum permissible normal retirement age;
and should permit that age to be used in testing discrimination and determining vesting under the plan.
(Sec. 312, Chandler; Sec. 311, Rostenkowski makes changes for purposes of vesting and distribution only, not for nondiscrimination.)

Intracorporate Transfer of Employees

The Problem:
Frequently employers have different plans within a controlled group of corporations, for example because the controlled group has acquired various corporations which maintained their own plans, or because the corporation has separate plans for union and non-union employee groups. Many plans provide that employees who move within the controlled group of corporations or change their status accrue a benefit under the plan based on all service with the employer as a whole, offset by the pension earned by the employee under the other plan or plans of the employer in which he has participated. Because the current benefit earned by the transferred employee will not be uniform compared to the benefit earned by other employees covered by the transferee plan (due to the accrual based on past service and the offset of benefits accrued under the original plan), the plan will fail to pass the safe harbor formulas under the nondiscrimination regulations.

The Solution:
To solve the problem of transferred employees, coverage of employees who are transferred between plans should be specifically treated as nondiscriminatory, since a transferred employee will earn no greater benefits from the employer as a whole than other employees who do not transfer between plans.
(Sec. 314, Chandler)

Special Grandfather Rule for Integrated Plans

The Problem:
TRA '86 modified the Social Security integration rules, reducing the permitted disparity between benefits based on compensation above the Social Security wage base and benefits based on compensation up to the wage base. These new rules are generally effective for plan years beginning after December 31, 1988. In the case of a final pay defined benefit pension plan that is frozen as of January 1, 1989, and that was integrated in accordance with prior law, benefits earned as of the date the plan was frozen may not be calculated based on the final average pay of the participant when the participant retires. Rather, benefits must be based on compensation as of the date the plan was frozen.

The Solution:
To grandfather frozen, integrated final average pay defined benefit pension plans, the law should permit such plans to calculate benefits under the benefit formula in existence on the effective date of TRA '86 based on final average pay.
(Sec. 315, Chandler)
Defined Benefit Plans with Employee Contributions

The Problem:

Proposed regulations provide rigid and strict rules on testing discrimination for defined benefit plans with employee contributions ("contributory plans"). Indeed, the regulations provide an exception from these discrimination rules for a contributory plan where employee contributions cease after plan years beginning after December 31, 1990; thereby recognizing that such plans are likely to be discontinued rather than comply with the new discrimination rules. However, contributory plans which comply with the regulations, and can show that the benefits provided under the plan are nondiscriminatory, are penalized.

Under the rules governing contributory plans, an employee's own contributions are credited with interest at 120% of the federal mid-term rate, generally until the employee's normal retirement date. This rate of interest will continue to accrue even after the individual is no longer employed. The amount accumulated at this assumed rate of interest will be treated as a minimum benefit which must be paid to the participant even in those cases where such minimum benefits will exceed the amount promised under the plan to the participant. Employers should not be required to guarantee a rate to employees which is higher than a rate the plan can achieve over the long term, or higher even than the rate the Pension Benefit Guaranty Corporation (PBGC) will guarantee.

The Solution:

To solve the problems of contributory plans, the rate of interest to be credited to employee contributions should be the PBGC rate, and the benefit from employee contributions accumulated at this rate should not exceed the employee’s accrued benefit under the plan without regard to the assumed interest on employee contributions.

(Sec. 316, Chandler)

Other Issues

Other issues which were addressed in Gridlock and which remain valid today include the following: repeal of minimum participation rules; repeal of the top heavy rules; conforming the Code section 401(k) hardship rules to those for other profit sharing plans; elimination of the tax on nondeductible contributions; amendment of the provisions for the tax on prohibited transactions; and deletion of the remaining Keogh plan rules for self-employed individuals which differ from the rules for other qualified plans.

The suggestions made in Gridlock in these areas would lead to simplification and clarification of pension policy and should be enacted.

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