

Benefits Briefing: Defined Contribution Plan Issues

November 14, 2011



AMERICAN BENEFITS

COUNCIL

Contribution Limits

- President's Economic Recovery Advisory Board: Report on Tax Reform Options
- Bowles-Simpson: The Moment of Truth
- Rivlin-Domenici: Restoring America's Future
- CBO Spending and Revenue Options

The “20/20” Proposal

- Limit the tax-favored treatment of employer-sponsored retirement savings plans
 - Would cap annual total employer and employee retirement plan contributions at the *lesser* of 20% of the employee’s compensation *or* \$20,000
 - Rationale: few people save the maximum and tax benefits are skewed to the highly compensated

Refundable Tax Credit

- Replace the exclusions for all employer and employee contributions to defined contribution plans and repeal deduction for IRA contribution
 - Would replace with refundable tax credit that would be available only if deposited into and retained in government account
 - Rationale: current system is not optimal because it results in inadequate coverage and is inefficient because it gives greatest reward to those in highest income bracket

Capitol Hill Guest Speakers

- **Thomas Reeder**, Senior Benefits Counsel for the Majority Staff of the Senate Finance Committee
- **Preston Rutledge**, Tax Counsel for the Minority Staff of the Senate Finance Committee
- **Kelli Briggs**, Legislative Director for Rep. Pat Tiberi (R-OH), Chairman of the House Ways and Means Subcommittee on Select Revenue Measures