

layer upon layer of complex rules and regulations has been adopted seriously frustrating the ability of small businesses to maintain retirement plans for their employees. According to a recent GAO study, a whopping 87 percent of workers employed by small businesses with fewer than 20 employees have absolutely no retirement plan coverage. The news is only slightly better for workers at small businesses with between 20 and 100 employees where 62 percent of the workers have no retirement plan coverage. By contrast, 72 percent of workers at larger firms—over 500 employees—have some form of retirement plan coverage.

This is particularly troubling given that small business provides most of the new jobs in today's workforce. In fact, according to the Small Business Administration 75 percent of the 2.5 million new jobs created in 1995 were created by small business. However, because of the impediments to small business retirement plan coverage, these workers often find themselves without the opportunity to meaningfully save for retirement.

The present-law roadblocks to small business retirement plan coverage have a particularly harsh effect on small business defined benefit plans. Most retirement experts agree that defined benefit plans—which guarantee a specified benefit at retirement—provide a better and more secure benefit for retirees. However, according to the Department of Labor between 1987 and 1993 the number of small businesses with defined benefit plans dropped from 108,221 to 41,780. That is over a 60-percent decline in just 7 years.

Last year, hoping to improve retirement plan coverage for small business employees the Congress created SIMPLE plans for small business. However, despite the success of the SIMPLE plan, retirement plan coverage for small business employees continues to be inadequate because of the limitations on contributions to the SIMPLE plan. Many small business employees who are baby boomers and have not previously been covered under retirement plans will not be able to save enough under the SIMPLE plan or a 401(k) plan to provide an adequate retirement income. Small business needs a defined benefit retirement plan that is easy to administer and will provide small business employees, including baby boomers, a sufficient retirement benefit.

The Secure Assets for Employees [SAFE] Plan Act of 1997 creates a new safe harbor defined benefit retirement plan for small business which will provide all small business employees with a secure, fully portable, benefit they can count on without choking small business with complex rules and regulations small business cannot afford.

A description of our bill follows:

FULLY FUNDED AND SECURE RETIREMENT BENEFIT

SAFE plan retirement benefits will be totally secure because they will be funded either through an individual retirement annuity ("SAFE Annuity") issued by regulated financial institutions or through a trust ("SAFE Trust") whose investments will be restricted to registered investment securities or insurance company products.

SAFE plans will always have to be fully funded so that there will be no shortfall in case of plan termination.

SAFE plans will be required to use specified conservative actuarial assumptions to ensure the minimum retirement benefit.

MINIMUM DEFINED BENEFIT WITH POSSIBLE HIGHER BENEFIT

SAFE plans will utilize the best features of both defined benefit and defined contribution plans by providing a fully funded minimum defined benefit with a higher benefit if investment returns exceed conservative expectations.

At a minimum, employees will receive a benefit equal to 1%, 2%, or 3% of compensation for each year of service. For example, if an employee whose average salary was \$40,000 has 25 years of service for an employer who elects a 3% benefit, the employee will retire with a minimum \$30,000 annual benefit (which could be higher depending on investment performance). The percentage benefit in any year must be the same for all employees.

In order to allow baby boomers to catch-up with their retirement savings, employees will be able to elect to credit benefits for up to 10 prior years of service, provided such benefits are credited to all employees eligible when the plan is adopted.

An employee's benefit will be 100% vested at all times.

FULLY PORTABLE RETIREMENT BENEFIT

Employees participating in the SAFE Annuity who separate from service will automatically hold an individual retirement annuity that will pay them at least the benefits they have earned (and possibly a higher benefit) upon retirement. Employees participating in the SAFE Trust will have their retirement benefits automatically converted to a SAFE Annuity, or, if they elect, have the cash balance in their account transferred to an individual retirement account (a "regular IRA").

The benefit in a SAFE Annuity may be rolled over to another SAFE Annuity without restriction. However, in order to ensure adequate benefits for retirement, benefits in a SAFE Annuity and SAFE Trust will be subject to substantial distribution restrictions.

EASIER TO ADMINISTER

SAFE plans will have simplified reporting requirements.

SAFE plans will not be subject to complicated nondiscrimination rules or plan limitations. However, so that plan benefits are distributed fairly to all employees, SAFE plans, like SIMPLE 401(k) plans, will be subject to the current-law annual limit on employee compensation (\$160,000).

Since SAFE plans will be fully funded using conservative actuarial assumptions, expensive Pension Benefit Guarantee Corporation (PBGC) insurance premiums will not be necessary.

COMPLEMENTS THE SIMPLE PLAN

SAFE plans could be used with SIMPLE plans or 401(k) plans.

Employer eligibility, employee eligibility, and the definition of compensation will be the same under the SAFE plan as under the SIMPLE plan.

As with SIMPLE, employers using a SAFE Annuity could designate a single financial institution to issue the SAFE Annuity.

Mr. Speaker, it is no secret that the baby boom generation represents a retirement savings time bomb. We are indeed fortunate that so many employees of large companies enjoy retirement coverage. Those who work for small and independent businesses deserve no less. I would encourage my colleagues to join Mr. POMEROY and me in working toward passage of this much-needed initiative.

TRIBUTE TO ALABAMA AVIATION HALL OF FAME INDUCTEES

HON. TERRY EVERETT

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Friday, May 16, 1997

Mr. EVERETT. Mr. Speaker, today, four residents of the second congressional district will be inducted into the Alabama Aviation Hall of Fame. Alabama holds a special place in the history of aviation as the site of the world's first flight school. These distinguished Americans occupy a special place in the Aviation Hall of Fame due to their valor and intrepid mastery of the skies.

William R. Lawley, Jr., colonel, USAF retired, of Montgomery earned his position in aviation history for his courage under fire as a B-17 bomber pilot in World War II. His bravery and loyalty to a wounded comrade enabled him to stay with his aircraft in the face of an overwhelming enemy attack. For his meritorious service, he received the Medal of Honor for Heroism.

N. Floyd McGowin, Jr., of Chapman served his nation in the Marine Corps and Reserve in the 1950's. An expert in forest management, he pioneered a technique for aerial mapping of forests. McGowin is a lover of flying, beginning at the age of 16. To date, he has logged 13,000 hours in at least 58 aircraft, and currently manages McGowin Field, in Chapman.

Michael J. Novosel, chief warrant officer, USA retired, of Enterprise is well known to the Army aviation community in the Wiregrass for his brave helicopter rescue of 29 American soldiers while under a hail of enemy fire in Vietnam. This risk of his own life earned him the Medal of Honor for Heroism. Novosel shepherded more than 5,500 soldiers to safety while a medical evacuation pilot in Vietnam. His remarkable military and aviation career extends 44 years including service as a B-29 bomber pilot in World War II.

William S. Wilson, Jr., of Dothan began his aviation experience as a cadet in the U.S. Army Signal Corps in 1918. He served as an executive officer in the 96th Bomber Squadron at Langley Field, VA. Wilson was among the first pilots to fly crosscountry at night in formation, and he was a flight instructor to Carl Ben Eielson, the first pilot to fly across the Arctic Ocean in 1928.

Mr. Speaker, I congratulate these fine Alabamians for their achievements as pillars of the aviation community. They are true patriots.

NATIONAL LAW ENFORCEMENT WEEK

HON. ELLEN O. TAUSCHER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, May 16, 1997

Mrs. TAUSCHER. Mr. Speaker, I rise today in recognition of National Law Enforcement Week to honor the brave police men and women throughout our country and in my district who put their lives on the line on a daily basis to protect our families, our friends, and our children. Many of these men and women have paid the ultimate price . . . losing their lives in the line of duty. In 1996 alone, 115 officers were killed nationwide. Their deaths are