[Roll No. 93]

AYES—377

Abercrombie	Doolittle	Kirk
Ackerman	Doyle	Kleczka
Akin	Dreier	Knollenberg
Allen	Duncan	Kolbe
Andrews	Dunn	Kucinich
Armey	Edwards	LaFalce
Baca	Ehlers	LaHood
Bachus	Ehrlich	Lampson
Baird	Emerson	Langevin
Baker	Engel	Lantos
Baldacci	Eshoo	Largent
Baldwin	Evans	Larsen (WA)
Ballenger	Everett	Larson (CT)
Barcia	Farr	Latham
Barr	Fattah	LaTourette
Barrett	Ferguson	Leach
Bartlett	Flake	Lee
Barton	Fletcher	Levin
Bass	Foley	Lewis (CA)
Becerra	Ford	Lewis (GA)
Bentsen	Fossella	Lewis (KY)
Bereuter	Frank	Linder
Berkley	Frelinghuysen	Lipinski
Berman	Frost	Lofgren
Berry	Gallegly	Lowey
Biggert	Ganske	Lucas (KY)
Bilirakis	Gekas	Lucas (OK)
Bishop	Gephardt	Luther
Blagojevich	Gibbons	Maloney (CT)
Blumenauer	Gilchrest	Maloney (NY)
Blunt	Gillmor	Manzullo
Boehlert	Gilman	Mascara
Boehner	Gonzalez	Matheson
Bonilla	Goode	Matsui
Bonior	Goodlatte	McCarthy (MO)
Bono	Gordon	McCarthy (NY)
Boswell	Goss	McCollum
Boucher	Graham	McCrery
Boyd	Granger	McGovern
Brady (TX)	Graves	McHugh
Brown (FL)	Green (TX)	McInnis
Brown (OH)	Green (WI)	McIntyre
Brown (SC)	Greenwood	McKeon
Bryant	Grucci	McKinney
Burr	Gutierrez	Meehan
Burton	Gutknecht	Meek (FL)
Buyer	Hall (OH)	Menendez
Callahan	Hall (TX)	Mica
Calvert	Hansen	Millender-McDonald
Camp	Harman	Miller (FL)
Cannon	Hart	Miller, Gary
Cantor	Hastings (WA)	Mink
Capito	Hayes	Mollohan
Capps	Hayworth	Moran (KS)
Cardin	Herger	Moran (VA)
Carson (IN)	Hill	Morella
Carson (OK)	Hilleary	Murtha
Castle	Hinojosa	Myrick
Chabot	Hobson	Nadler
Chambliss	Hoeffel	Napolitano
Clay	Hoekstra	Nethercutt
Clayton	Holden	Ney
Clement	Holt	Northup
Clyburn	Honda	Norwood
Coble	Horn	Nussle
Collins	Hostettler	Obey
Combest	Houghton	Olver
Conyers	Hoyer	Ortiz
Cooksey	Hunter	Osborne
Cox	Hyde	Ose
Coyne	Inslee	Otter
Cramer	Isakson	Owens
Crenshaw	Israel	Oxley
Crowley	Issa	Pascrell
Cubin	Istook	Paul
Culberson	Jackson (IL)	Payne
Cummings	Jackson-Lee (TX)	Pelosi
Cunningham	Jenkins	Pence
Davis (CA)	John	Peterson (PA)
Davis (FL)	Johnson (IL)	Petri
Davis (IL)	Johnson, E.B.	Phelps
Davis, Jo Ann	Johnson, Sam	Pickering
Davis, Tom	Jones (NC)	Pitts
Deal	Jones (OH)	Platts
DeFazio	Kanjorski	Pombo
DeGette	Kaptur	Pomeroy
Delahunt	Keller	Portman
DeLauro	Kelly	Price (NC)
DeLay	Kennedy (RI)	Pryce (OH)
DeMint	Kerns	Putnam
Deutsch	Kildee	Quinn
Diaz-Balart	Kilpatrick	Radanovich
Dicks	Kind (WI)	Rahall
Dingell	King (NY)	Rangel
Doggett	Kingston	Regula
Dooley	Rehberg	Shadegg
Reyes	Shaw	Thurman
Reynolds	Shays	Tiberi
Riley	Sherman	Tierney
Rivers	Sherwood	Toomey
Rodriguez	Shimkus	Towns
Roemer	Shows	Traficant
Rogers (KY)	Simmons	Turner
Rogers (MI)	Simpson	Upton
Rohrabacher	Skeen	Velazquez
Ros-Lehtinen	Skelton	Vitter
Ross	Smith (MI)	Walden
Roukema	Smith (NJ)	Walsh
Roybal-Allard	Smith (TX)	Wamp
Royce	Smith (WA)	Watkins
Rush	Snyder	Watt (NC)
Ryan (WI)	Solis	Watts (OK)
Ryun (KS)	Souder	Waxman
Sanchez	Spence	Weiner
Sanders	Spratt	Weldon (FL)
Sandlin	Stearns	Weldon (PA)
Sawyer	Stump	Wexler
Saxton	Sununu	Whitfield
Scarborough	Tanner	Wicker
Schakowsky	Tauscher	Wilson
Schiff	Tauzin	Wolf
Schrock	Taylor (NC)	Woolsey
Scott	Terry	Wynn
Sensenbrenner	Thomas	Young (AK)
Serrano	Thornberry	Young (FL)
Sessions	Thune	

NOES—47

Aderholt	Kennedy (MN)	Slaughter
Borski	LoBiondo	Stark
Brady (PA)	Markey	Stenholm
Capuano	McDermott	Strickland
Condit	McNulty	Stupak
Costello	Miller, George	Sweeney
Crane	Moore	Taylor (MS)
English	Neal	Thompson (CA)
Etheridge	Oberstar	Thompson (MS)
Filner	Pallone	Udall (CO)
Hastings (FL)	Pastor	Udall (NM)
Hefley	Peterson (MN)	Visclosky
Hilliard	Ramstad	Waters
Hinchey	Rothman	Weller
Hooley	Sabo	Wu
Hulshof	Schaffer	

ANSWERED ''PRESENT''—1

Tancredo

NOT VOTING—6

Hutchinson	Johnson (CT)	Moakley
Jefferson	Meeks (NY)	Tiahrt

□ 1151

So the Journal was approved.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. TIAHRT. Mr. Speaker, today, I was unavoidably detained and missed rollcall votes Nos. 92 and 93. Rollcall vote No. 92 was on the rule for H.R. 10, ''the Comprehensive Retirement Security and Pension Reform Act of 2001. Rollcall vote No. 93 was on approving the Speaker's approval of the Journal. Had I been present, I would have voted ''yea'' on both the rule on H.R. 10 and on approving the Journal.

COMPREHENSIVE RETIREMENT SECURITY AND PENSION REFORM ACT OF 2001

Mr. THOMAS. Mr. Speaker, pursuant to House Resolution 127, I call up the bill (H.R. 10) to provide for pension reform, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. BASS). Pursuant to House Resolution 127, the bill is considered read for amendment.

The text of H.R. 10 is as follows:

H.R. 10

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Comprehensive Retirement Security and Pension Reform Act of 2001''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

TITLE I—INDIVIDUAL RETIREMENT ACCOUNTS

SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking ''$2,000'' and inserting ''the deductible amount''.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

''(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

''(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

''For taxable years beginning in:	The deductible amount is:
2001	$3,000
2002	$4,000
2003 and thereafter	$5,000.

''(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for taxable years beginning in 2001 or 2002 shall be $5,000.

''(C) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $500, such amount shall be rounded to the next lower multiple of $500.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking ''in excess of $2,000 on behalf of any individual'' and inserting ''on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)''.

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(3) Section 408(b) is amended by striking ''$2,000'' in the matter following paragraph (4) and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(4) Section 408(j) is amended by striking ''$2,000''.

(5) Section 408(p)(8) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

TITLE II—EXPANDING COVERAGE

SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62'' and by striking the second sentence.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000''; and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000''; and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2000''.

(5) CONFORMING AMENDMENTS.—

(A) Section 415(b)(2) is amended by striking subparagraph (F).

(B) Section 415(b)(9) is amended to read as follows:

''(9) SPECIAL RULE FOR COMMERCIAL AIRLINE PILOTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), in the case of any participant who is a commercial airline pilot, if, as of the time of the participant's retirement, regulations prescribed by the Federal Aviation Administration require an individual to separate from service as a commercial airline pilot after attaining any age occurring on or after age 60 and before age 62, paragraph (2)(C) shall be applied by substituting such age for age 62.

''(B) INDIVIDUALS WHO SEPARATE FROM SERVICE BEFORE AGE 60.—If a participant described in subparagraph (A) separates from service before age 60, the rules of paragraph (2)(C) shall apply.''.

(C) Section 415(b)(10)(C)(i) is amended by striking ''applied without regard to paragraph (2)(F)''.

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$40,000''.

(2) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000''; and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000''; and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2000''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

(2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is amended—

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2000''; and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$11,000
2002	$12,000
2003	$13,000
2004	$14,000
2005 or thereafter	$15,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount''; and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$11,000
2002	$12,000
2003	$13,000
2004	$14,000
2005 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount under subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$7,000
2002	$8,000
2003	$9,000
2004 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2004, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2003, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Subclause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) AMENDMENT OF ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 203. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i);

(B) by striking clause (i) and inserting the following:

''(i) an officer of the employer having an annual compensation greater than $150,000,'';

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively; and

(D) by striking the second sentence in the matter following clause (iii), as redesignated by subparagraph (C).

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE''; and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

''(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

''(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)''; and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no key employee or former key employee.''.

(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference

the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 201, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

SEC. 206. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 10511 of the Revenue Act of 1987 for requests to the Internal Revenue Service for determination letters with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

(1) made after the later of—

(A) the fifth plan year the pension benefit plan is in existence; or

(B) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years; or

(2) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

(b) PENSION BENEFIT PLAN.—For purposes of this section, the term ''pension benefit plan'' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subsection (a) applies shall not be taken into account.

(e) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2001.

SEC. 207. DEDUCTION LIMITS.

(a) STOCK BONUS AND PROFIT SHARING TRUSTS.—

(1) IN GENERAL.—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking ''15 percent'' and inserting ''20 percent''.

(2) CONFORMING AMENDMENT.—Subparagraph (C) of section 404(h)(1) is amended by striking ''15 percent'' each place it appears and inserting ''20 percent''.

(b) COMPENSATION.—

(1) IN GENERAL.—Section 404(a) (relating to general rule) is amended by adding at the end the following:

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation otherwise paid or accrued during the taxable year' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3).''.

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (B) of section 404(a)(3) is amended by striking the last sentence thereof.

(B) Clause (i) of section 4972(c)(6)(B) is amended by striking ''(within the meaning of section 404(a))'' and inserting ''(within the meaning of section 404(a) and as adjusted under section 404(a)(12))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 208. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

''(a) GENERAL RULE.—If an applicable retirement plan includes a qualified plus contribution program—

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

''(A) is excludable from gross income of an employee without regard to this section, and

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the first taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND EARNINGS.—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.

''(3) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

(b) EXCESS DEFERRALS.—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—

(1) by adding at the end of paragraph (1) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.''; and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

(1) W–2 INFORMATION.—Section 6051(a)(8) is amended by inserting '', including the amount of designated plus contributions (as defined in section 402A)'' before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

''Sec. 402A. Optional treatment of elective deferrals as plus contributions.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE III—ENHANCING FAIRNESS FOR WOMEN

SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(A) $5,000, or

''(B) the excess (if any) of—

''(i) the participant's compensation for the year, over

''(ii) any other elective deferrals of the participant for such year which are made without regard to this subsection.

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1), such contribution shall not, with respect to the year in which the contribution is made—

''(A) be subject to any otherwise applicable limitation contained in section 402(g), 402(h)(2), 404(a), 404(h), 408(p)(2)(A)(ii), 415, or 457, or

''(B) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan.

''(4) APPLICATION OF NONDISCRIMINATION RULES.—

''(A) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet the nondiscrimination requirements under section 401(a)(4) with respect to benefits, rights, and features if the plan allows all eligible participants to make the same election with respect to the additional elective deferrals under this subsection.

''(B) AGGREGATION.—For purposes of subparagraph (A), all plans maintained by employers who are treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as 1 plan.

''(5) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) who has attained the age of 50 before the close of the plan year, and

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or comparable limitation contained in the terms of the plan.

''(6) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(B) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (A)(iii) for any year to which section 457(b)(3) applies.

''(D) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2005, the Secretary shall adjust annually the $5,000 amount in paragraph (2)(A) for increases in the cost-of-living at the same time and in the same manner as adjustments under section 415(d); except that the base period taken into account shall be the calendar quarter beginning July 1, 2004, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2000.

SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

(2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'';

(B) by striking paragraph (2); and

(C) by inserting ''or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(E) Section 415(c) is amended by striking paragraph (4).

(F) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 201) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(H) Section 664(g) is amended—

(i) in paragraph (3)(E) by striking ''limitations under section 415(c)'' and inserting ''applicable limitation under paragraph (7)'', and

(ii) by adding at the end the following new paragraph:

''(7) APPLICABLE LIMITATION.—

''(A) IN GENERAL.—For purposes of paragraph (3)(E), the applicable limitation under this paragraph with respect to a participant is an amount equal to the lesser of—

''(i) $30,000, or

''(ii) 25 percent of the participant's compensation (as defined in section 415(c)(3)).

''(B) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust annually the $30,000 amount under subparagraph (A)(i) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning October 1, 1993, and any increase under this subparagraph which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2000.

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) IN GENERAL.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 1999.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2000, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2000.

SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan''; and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) AMENDMENT OF ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2001.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment); or

(ii) January 1, 2002; or

(B) January 1, 2006.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 304. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.

(a) SIMPLIFICATION AND FINALIZATION OF MINIMUM DISTRIBUTION REQUIREMENTS.—

(1) IN GENERAL.—The Secretary of the Treasury shall—

(A) simplify and finalize the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code of 1986; and

(B) modify such regulations to—

(i) reflect current life expectancy; and

(ii) revise the required distribution methods so that, under reasonable assumptions, the amount of the required minimum distribution does not decrease over a participant's life expectancy.

(2) FRESH START.—Notwithstanding subparagraph (D) of section 401(a)(9) of such Code, during the first year that regulations are in effect under this subsection, required distributions for future years may be redetermined to reflect changes under such regulations. Such redetermination shall include the opportunity to choose a new designated beneficiary and to elect a new method of calculating life expectancy.

(3) DATE FOR REGULATIONS.—Not later than December 31, 2002, the Secretary shall issue final regulations described in paragraph (1) and such regulations shall apply without regard to whether an individual had previously begun receiving minimum distributions.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

(A) Clause (i) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''FOR OTHER CASES'' in the heading; and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

(C) Clause (iii) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'';

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'';

(iii) by striking ''the date on which the employee would have attained age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,''; and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) DISTRIBUTIONS TO SURVIVING SPOUSE.—

(i) IN GENERAL.—In the case of an employee described in clause (ii), distributions to the surviving spouse of the employee shall not be required to commence prior to the date on which such distributions would have been required to begin under section 401(a)(9)(B) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act).

(ii) CERTAIN EMPLOYEES.—An employee is described in this clause if such employee dies before—

(I) the date of the enactment of this Act, and

(II) the required beginning date (within the meaning of section 401(a)(9)(C) of the Internal Revenue Code of 1986) of the employee.

(c) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) IN GENERAL.—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))''; and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)''

and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2001.

SEC. 306. MODIFICATION OF SAFE HARBOR RELIEF FOR HARDSHIP WITHDRAWALS FROM CASH OR DEFERRED ARRANGEMENTS.

(a) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(b) EFFECTIVE DATE.—The revised regulations under subsection (a) shall apply to years beginning after December 31, 2001.

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b) and which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8),'' and inserting ''403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts)

is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after the date of the enactment of this Act.

SEC. 404. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 403, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) IN GENERAL.—A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election, and

''(V) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) EXCEPTION.—Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) AMENDMENT OF ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election; and

''(v) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) Except to the extent provided in regulations promulgated by the Secretary of the Treasury, a defined contribution plan shall not be treated as failing to meet the requirements of this subsection merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) REGULATIONS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by inserting after the second sentence the following new sentence: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any participant in a more than de minimis manner.''.

(2) AMENDMENT OF ERISA.—Section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended by inserting before the last sentence the following new sentence: ''The Secretary of the Treasury shall by regulations provide that this paragraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any participant in a more than de minimis manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2003, the Secretary of the Treasury is directed to issue regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendment made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2003, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination''; and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'';

(ii) by striking subparagraph (C); and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—Subsection (e) of section 457 is amended by adding after paragraph (16) the following new paragraph:

''(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after the date of the enactment of this Act.

SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT OF ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

SEC. 501. REPEAL OF PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

"In the case of any plan year beginning in—	The applicable percentage is—
2002	165
2003	170.''.

(b) AMENDMENT OF ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

"In the case of any plan year beginning in—	The applicable percentage is—
2002	165
2003	170.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 504. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—

(1) IN GENERAL.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

"SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as one plan. For purposes of this paragraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(2) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment. The Secretary may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(A) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(B) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(3) TIMING OF NOTICE.—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) each participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.

''(3) EARLY RETIREMENT.—A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

''(g) NEW TECHNOLOGIES.—The Secretary may by regulations allow any notice under subsection (e) to be provided by using new technologies.''.

(2) CLERICAL AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

''Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.''.

(b) AMENDMENT OF ERISA.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraphs:

''(3)(A) An applicable pension plan to which paragraph (1) applies shall not be treated as meeting the requirements of such paragraph unless, in addition to any notice required to be provided to an individual or organization under such paragraph, the plan administrator provides the notice described in subparagraph (B) to each applicable individual (and to each employee organization representing applicable individuals).

''(B) The notice required by subparagraph (A) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow applicable individuals to understand the effect of the plan amendment. The Secretary of the Treasury may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(i) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(ii) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(C) Except as provided in regulations prescribed by the Secretary of the Treasury, the notice required by subparagraph (A) shall be provided within a reasonable time before the effective date of the plan amendment.

''(D) Any notice under subparagraph (A) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(E) A plan shall not be treated as failing to meet the requirements of subparagraph (A) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(F) The Secretary of the Treasury may by regulations allow any notice under this paragraph to be provided by using new technologies.

''(4) For purposes of paragraph (3)—

''(A) The term 'applicable individual' means, with respect to any plan amendment—

''(i) each participant in the plan; and

''(ii) any beneficiary who is an alternate payee (within the meaning of section 206(d)(3)(K)) under an applicable qualified domestic relations order (within the meaning of section 206(d)(3)(B)(i)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(B) The term 'applicable pension plan' means—

''(i) any defined benefit plan; or

''(ii) an individual account plan which is subject to the funding standards of section 412 of the Internal Revenue Code of 1986.

''(C) A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of subsection (g)(2)(A)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986, and section 204(h)(3) of the Employee Retirement Income Security Act of 1974, as added by the amendments made by this section, a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL NOTICE RULE.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

(d) STUDY.—The Secretary of the Treasury shall prepare a report on the effects of conversions of traditional defined benefit plans to cash balance or hybrid formula plans. Such study shall examine the effect of such conversions on longer service participants, including the incidence and effects of ''wear away'' provisions under which participants earn no additional benefits for a period of time after the conversion. As soon as practicable, but not later than 60 days after the date of the enactment of this Act, the Secretary shall submit such report, together with recommendations thereon, to the Committee on Ways and Means and the Committee on Education and the Workforce of the House of Representatives and the Committee on Finance and the Committee on Health, Education, Labor, and Pensions of the Senate.

SEC. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—

(1) IN GENERAL.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(2) CONFORMING AMENDMENT.—Section 415(b)(7) (relating to benefits under certain collectively bargained plans) is amended by inserting ''(other than a multiemployer plan)'' after ''defined benefit plan'' in the matter preceding subparagraph (A).

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section, except that such plan shall be combined or aggregated with another plan which is not such a multiemployer plan solely for purposes of determining whether such other plan meets the requirements of subsections (b)(1)(A) and (c).''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 506. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

(a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

SEC. 507. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

''(a)(1) Except as provided in paragraph (2)—

''(A) the administrator of an individual account plan shall furnish a pension benefit statement—

''(i) to a plan participant at least once annually, and

''(ii) to a plan beneficiary upon written request, and

''(B) the administrator of a defined benefit plan shall furnish a pension benefit statement—

''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

''(ii) to a plan participant or plan beneficiary of the plan upon written request.

''(2) Notwithstanding paragraph (1), the administrator of a plan to which more than 1 unaffiliated employer is required to contribute shall only be required to furnish a pension benefit statement under paragraph (1) upon the written request of a participant or beneficiary of the plan.

''(3) A pension benefit statement under paragraph (1)—

''(A) shall indicate, on the basis of the latest available information—

''(i) the total benefits accrued, and

''(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

''(B) shall be written in a manner calculated to be understood by the average plan participant, and

''(C) may be provided in written, electronic, telephonic, or other appropriate form.

''(4)(A) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, telephonic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.

''(B) The Secretary may provide that years in which no employee or former employee benefits (within the meaning of section 410(b) of the Internal Revenue Code of 1986) under the plan need not be taken into account in determining the 3-year period under paragraph (1)(B)(i).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

SEC. 508. PROHIBITED ALLOCATIONS OF STOCK IN S CORPORATION ESOP.

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATIONS OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified person.

''(2) FAILURE TO MEET REQUIREMENTS.—

''(A) IN GENERAL.—If a plan fails to meet the requirements of paragraph (1), the plan shall be treated as having distributed to any disqualified person the amount allocated to the account of such person in violation of paragraph (1) at the time of such allocation.

''(B) CROSS REFERENCE.—

''For excise tax relating to violations of paragraph (1) and ownership of synthetic equity, see section 4979A.

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified persons own at least 50 percent of the number of shares of stock in the S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), individual shall be treated as owning deemed-owned shares of the individual.

Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.

''(4) DISQUALIFIED PERSON.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified person' means any person if—

''(i) the aggregate number of deemed-owned shares of such person and the members of such person's family is at least 20 percent of the number of deemed-owned shares of stock in the S corporation, or

''(ii) in the case of a person not described in clause (i), the number of deemed-owned shares of such person is at least 10 percent of the number of deemed-owned shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified person described in subparagraph (A)(i), any member of such person's family with deemed-owned shares shall be treated as a disqualified person if not otherwise treated as a disqualified person under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any person—

''(I) the stock in the S corporation constituting employer securities of an employee stock ownership plan which is allocated to such person under the plan, and

''(II) such person's share of the stock in such corporation which is held by such plan but which is not allocated under the plan to participants.

''(ii) PERSON'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), a person's share of unallocated S corporation stock held by such plan is the amount of the unallocated stock which would be allocated to such person if the unallocated stock were allocated to all participants in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

''(i) the spouse of the individual,

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any individual described in clause (ii) or (iii).

A spouse of an individual who is legally separated from such individual under a decree of divorce or separate maintenance shall not be treated as such individual's spouse for purposes of this subparagraph.

''(5) TREATMENT OF SYNTHETIC EQUITY.—For purposes of paragraphs (3) and (4), in the case of a person who owns synthetic equity in the S corporation, except to the extent provided in regulations, the shares of stock in such corporation on which such synthetic equity is based shall be treated as outstanding stock in such corporation and deemed-owned shares of such person if such treatment of synthetic equity of 1 or more such persons results in—

''(A) the treatment of any person as a disqualified person, or

''(B) the treatment of any year as a nonallocation year.

For purposes of this paragraph, synthetic equity shall be treated as owned by a person in the same manner as stock is treated as owned by a person under the rules of paragraphs (2) and (3) of section 318(a). If, without regard to this paragraph, a person is treated as a disqualified person or a year is treated as a nonallocation year, this paragraph shall not be construed to result in the person or year not being so treated.

''(6) DEFINITIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(C) SYNTHETIC EQUITY.—The term 'synthetic equity' means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that gives the holder the right to acquire or receive stock of the S corporation in the future. Except to the extent provided in regulations, synthetic equity also includes a stock appreciation right, phantom stock unit, or similar right to a future cash payment based on the value of such stock or appreciation in such value.

''(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.''.

(b) COORDINATION WITH SECTION 4975(e)(7).—The last sentence of section 4975(e)(7) (defining employee stock ownership plan) is amended by inserting '', section 409(p),'' after ''409(n)''.

(c) EXCISE TAX.—

(1) APPLICATION OF TAX.—Subsection (a) of section 4979A (relating to tax on certain prohibited allocations of employer securities) is amended—

(A) by striking ''or'' at the end of paragraph (1), and

(B) by striking all that follows paragraph (2) and inserting the following:

''(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

''(4) any synthetic equity is owned by a disqualified person in any nonallocation year,

there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.''.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended to read as follows:

''(c) LIABILITY FOR TAX.—The tax imposed by this section shall be paid—

''(1) in the case of an allocation referred to in paragraph (1) or (2) of subsection (a), by—

''(A) the employer sponsoring such plan, or

''(B) the eligible worker-owned cooperative,

which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

''(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.''.

(3) DEFINITIONS.—Section 4979A(e) (relating to definitions) is amended to read as follows:

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) DEFINITIONS.—Except as provided in paragraph (2), terms used in this section have the same respective meanings as when used in sections 409 and 4978.

''(2) SPECIAL RULES RELATING TO TAX IMPOSED BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (a).—

''(A) PROHIBITED ALLOCATIONS.—The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

''(B) SYNTHETIC EQUITY.—The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

''(C) SPECIAL RULE DURING FIRST NONALLOCATION YEAR.—For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

''(D) STATUTE OF LIMITATIONS.—The statutory period for the assessment of any tax imposed by this section by reason of paragraph (3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

''(i) the allocation or ownership referred to in such paragraph giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such allocation or ownership.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2004.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after March 14, 2001, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

the amendments made by this section shall apply to plan years ending after March 14, 2001.

TITLE VI—REDUCING REGULATORY BURDENS

SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (9) of section 412(c)(9) (relating to annual valuation) is amended to read as follows:

''(9) ANNUAL VALUATION.—

''(A) IN GENERAL.—For purposes of this section, a determination of experience gains and losses and a valuation of the plan's liability shall be made not less frequently than once every year, except that such determination shall be made more frequently to the extent required in particular cases under regulations prescribed by the Secretary.

''(B) VALUATION DATE.—

''(i) CURRENT YEAR.—Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) ELECTION TO USE PRIOR YEAR VALUATION.—The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) ADJUSTMENTS.—Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENT OF ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)''; and

(2) by adding at the end the following:

''(B)(i) Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan; and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 2001.

SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401(k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan; and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401(k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning advice or information provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 606. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $250,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated); or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation);

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business;

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses);

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control; and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of a retirement plan

which covers less than 25 employees on the first day of the plan year and meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2), the Secretary of the Treasury shall provide for the filing of a simplified annual return that is substantially similar to the annual return required to be filed by a one-participant retirement plan.

(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2002.

SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program;

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures;

(3) extending the duration of the self-correction period under the Administrative Policy Regarding Self-Correction for significant compliance failures;

(4) expanding the availability to correct insignificant compliance failures under the Administrative Policy Regarding Self-Correction during audit; and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 608. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test; and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2003, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—

(1) Subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by striking ''section 414(d))'' and all that follows and inserting ''section 414(d)).''.

(2) Subparagraph (G) of section 401(k)(3) and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by striking ''maintained by a State or local government or political subdivision thereof (or agency or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subparagraph (G) of section 401(a)(5) is amended to read as follows: ''GOVERNMENTAL PLANS''.

(2) The heading for subparagraph (H) of section 401(a)(26) is amended to read as follows: ''EXCEPTION FOR GOVERNMENTAL PLANS''.

(3) Subparagraph (G) of section 401(k)(3) is amended by inserting ''GOVERNMENTAL PLANS.—'' after ''(G)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—

(A) IN GENERAL.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''180-day''.

(B) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''180 days'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(2) AMENDMENT OF ERISA.—Section 205(c)(7)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)(A)) is amended by striking ''90-day'' and inserting ''180-day''.

(3) EFFECTIVE DATE.—The amendments made by paragraph (1)(A) and (2) and the modifications required by paragraph (1)(B) shall apply to years beginning after December 31, 2001.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

SEC. 612. ANNUAL REPORT DISSEMINATION.

(a) REPORT AVAILABLE THROUGH ELECTRONIC MEANS.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by adding at the end the following new sentence: ''The requirement to furnish information under the previous sentence shall be satisfied if the administrator makes such information reasonably available through electronic means or other new technology.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 2000.

SEC. 623. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001, 2005, and 2009 in the month of September of each year involved'';

(2) in subsection (b), by adding at the end the following new sentence: ''To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council.'';

(3) in subsection (e)(2)—

(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (D) and inserting ''Committee on Health, Education, Labor, and Pensions'';

(B) by striking subparagraph (F) and inserting the following:

''(F) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(4) in subsection (e)(3)(A)—

(A) by striking ''There shall be no more than 200 additional participants.'' and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in clause (i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'', and by striking ''and'' at the end of clause (i);

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in clause (ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'', and by striking the period at the end of clause (ii) and inserting ''; and'';

(D) by adding at the end the following new clause:

''(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.'';

(5) in subsection (e)(3)(B), by striking ''January 31, 1998'' in subparagraph (B) and inserting ''May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively'';

(6) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'' in paragraph (1)(C);

(7) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'';

(8) in subsection (i)—

(A) by striking ''beginning on or after October 1, 1997'' in paragraph (1) and inserting ''2001, 2005, and 2009''; and

(B) by adding at the end the following new paragraph:

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions accepted in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.''; and

(9) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract on a sole-source basis''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001, 2005, and 2009''.

TITLE VII—OTHER ERISA PROVISIONS

SEC. 701. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

''(1) TRANSFER TO CORPORATION.—The plan administrator of a plan described in paragraph (4) may elect to transfer a missing participant's benefits to the corporation upon termination of the plan.

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

''(ii) which is not a plan described in paragraphs (2) through (11) of section 4021(b), and

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

''(5) CERTAIN PROVISIONS NOT TO APPLY.—Subsections (a)(1) and (a)(3) shall not apply to a plan described in paragraph (4).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 702. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by two or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 703. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

''(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''.

(b) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)), as amended by section 702(b), is amended—

(1) by striking ''The'' in subparagraph (E)(i) and inserting ''Except as provided in subparagraph (G), the'', and

(2) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed $5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

''(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor's controlled group. In the case of a plan maintained by two or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether the 25-or-fewer-employees limitation has been satisfied.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2001.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2001.

SEC. 704. AUTHORIZATION FOR PBGC TO PAY INTEREST ON PREMIUM OVERPAYMENT REFUNDS.

(a) IN GENERAL.—Section 4007(b) of the Employment Retirement Income Security Act of 1974 (29 U.S.C. 1307(b)) is amended—

(1) by striking ''(b)'' and inserting ''(b)(1)'', and

(2) by inserting at the end the following new paragraph:

''(2) The corporation is authorized to pay, subject to regulations prescribed by the corporation, interest on the amount of any overpayment of premium refunded to a designated payor. Interest under this paragraph shall be calculated at the same rate and in the same manner as interest is calculated for underpayments under paragraph (1).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accruing for periods beginning not earlier than the date of the enactment of this Act.

SEC. 705. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following new paragraph:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following new subsection:

''(d) For purposes of subsection (b)(9), the term 'substantial owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2001, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on January 1, 2002.

SEC. 706. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended to read as follows:

''(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from any fiduciary or other person (or from any other person on behalf of any such fiduciary or other person) with respect to a breach or violation described in paragraph (1) on or after the 30th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under subsection (a)(2) or (a)(5). The Secretary may, in the Secretary's sole discretion, extend the 30-day period described in the preceding sentence.''.

(c) OTHER RULES.—Section 502(l) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)) is amended by adding at the end the following new paragraph:

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of enactment of this Act.

(2) TRANSITION RULE.—In applying the amendment made by subsection (b) (relating to applicable recovery amount), a breach or other violation occurring before the date of enactment of this Act which continues after the 180th day after such date (and which may have been discontinued at any time during its existence) shall be treated as having occurred after such date of enactment.

SEC. 707. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under section 203(a)(3)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that the notification required by such regulation—

(1) in the case of an employee who returns to work for a former employer after commencement of payment of benefits under the plan shall—

(A) be made during the first calendar month or payroll period in which the plan withholds payments, and

(B) if a reduced rate of future benefit accruals will apply to the returning employee (as of the first date of participation in the plan by the employee after returning to work), include a statement that the rate of future benefit accruals will be reduced, and

(2) in the case of any employee who is not described in paragraph (1)—

(A) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(B) need not include a copy of the relevant plan provisions.

(b) EFFECTIVE DATE.—The modification made under this section shall apply to plan years beginning after December 31, 2001.

TITLE VIII—PLAN AMENDMENTS

SEC. 801. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A); and

(2) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this Act, or pursuant to any regulation issued under this Act; and

(B) on or before the last day of the first plan year beginning on or after January 1, 2004.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2006'' for ''2004''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan); and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect; and

(B) such plan or contract amendment applies retroactively for such period.

The SPEAKER pro tempore (Mr. THORNBERRY). In lieu of the amendment recommended by the Committee on Ways and Means and the amendment recommended by the Committee on Education and the Workforce printed in the bill, the amendment in the nature of a substitute printed in the CONGRESSIONAL RECORD and numbered 1 is adopted.

The text of H.R. 10, as amended pursuant to House Resolution 127 is as follows:

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Comprehensive Retirement Security and Pension Reform Act of 2001''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

TITLE I—INDIVIDUAL RETIREMENT ACCOUNTS

SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking ''$2,000'' and inserting ''the deductible amount''.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

''(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

''(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

''For taxable years beginning in:	The deductible amount is:
2002	$3,000
2003	$4,000
2004 and thereafter	$5,000.

''(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for taxable years beginning in 2002 or 2003 shall be $5,000.

''(C) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2004, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $500, such amount shall be rounded to the next lower multiple of $500.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking ''in excess of $2,000 on behalf of any individual'' and inserting ''on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)''.

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(3) Section 408(b) is amended by striking ''$2,000'' in the matter following paragraph (4) and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(4) Section 408(j) is amended by striking ''$2,000''.

(5) Section 408(p)(8) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE II—EXPANDING COVERAGE

SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62'' and by striking the second sentence.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000''; and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000''; and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2001''.

(5) CONFORMING AMENDMENTS.—

(A) Section 415(b)(2) is amended by striking subparagraph (F).

(B) Section 415(b)(9) is amended to read as follows:

''(9) SPECIAL RULE FOR COMMERCIAL AIRLINE PILOTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), in the case of any participant who is a commercial airline pilot, if, as of the time of the participant's retirement, regulations prescribed by the Federal Aviation Administration require an individual to separate from service as a commercial airline pilot after attaining any age occurring on or after age 60 and before age 62, paragraph (2)(C) shall be applied by substituting such age for age 62.

''(B) INDIVIDUALS WHO SEPARATE FROM SERVICE BEFORE AGE 60.—If a participant described in subparagraph (A) separates from service before age 60, the rules of paragraph (2)(C) shall apply.''.

(C) Section 415(b)(10)(C)(i) is amended by striking ''applied without regard to paragraph (2)(F)''.

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$40,000''.

(2) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000''; and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000''; and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2001''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

(2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is amended—

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2001''; and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$11,000
2003	$12,000
2004	$13,000
2005	$14,000
2006 or thereafter	$15,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2006, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2005, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount''; and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$11,000
2003	$12,000
2004	$13,000
2005	$14,000
2006 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2006, the Secretary shall adjust the $15,000 amount under subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2005, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$7,000
2003	$8,000
2004	$9,000
2005 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2005, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2004, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Subclause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) AMENDMENT OF ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 203. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i);

(B) by striking clause (i) and inserting the following:

''(i) an officer of the employer having an annual compensation greater than $150,000,'';

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively; and

(D) by striking the second sentence in the matter following clause (iii), as redesignated by subparagraph (C).

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE''; and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

''(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

''(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)''; and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no key employee or former key employee.''.

(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 201, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

SEC. 206. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 10511 of the Revenue Act of 1987 for requests to the Internal Revenue Service for determination letters with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

(1) made after the later of—

(A) the fifth plan year the pension benefit plan is in existence; or

(B) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years; or

(2) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

(b) PENSION BENEFIT PLAN.—For purposes of this section, the term ''pension benefit plan'' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subsection (a) applies shall not be taken into account.

(e) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2001.

SEC. 207. DEDUCTION LIMITS.

(a) STOCK BONUS AND PROFIT SHARING TRUSTS.—

(1) IN GENERAL.—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking ''15 percent'' and inserting ''20 percent''.

(2) CONFORMING AMENDMENT.—Subparagraph (C) of section 404(h)(1) is amended by striking ''15 percent'' each place it appears and inserting ''20 percent''.

(b) COMPENSATION.—

(1) IN GENERAL.—Section 404(a) (relating to general rule) is amended by adding at the end the following:

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation otherwise paid or accrued during the taxable year' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3).''.

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (B) of section 404(a)(3) is amended by striking the last sentence.

(B) Clause (i) of section 4972(c)(6)(B) is amended by striking ''(within the meaning of section 404(a))'' and inserting ''(within the meaning of section 404(a) and as adjusted under section 404(a)(12))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 208. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

''(a) GENERAL RULE.—If an applicable retirement plan includes a qualified plus contribution program—

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

''(A) is excludable from gross income of an employee without regard to this section, and

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the first taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND CONTRIBUTIONS AND EARNINGS THEREON.—The term 'qualified distribution' shall not include any distribution of an excess deferral under section 402(g)(2) or any excess contribution under section 401(k)(8), and any income on the excess deferral or contribution.

''(3) TREATMENT OF DISTRIBUTIONS OF CERTAIN EXCESS DEFERRALS.—Notwithstanding section 72, if any excess deferral under section 402(g)(2) attributable to a designated plus contribution is not distributed on or before the 1st April 15 following the close of the taxable year in which such excess deferral is made, the amount of such excess deferral shall—

''(A) not be treated as investment in the contract, and

''(B) be included in gross income for the taxable year in which such excess is distributed.

''(4) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

(b) EXCESS DEFERRALS.—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—

(1) by adding at the end of paragraph (1)(A) (as added by section 201(d)(1)) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.''; and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

(1) W–2 INFORMATION.—Section 6051(a)(8) is amended by inserting '', including the amount of designated plus contributions (as defined in section 402A)'' before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

''Sec. 402A. Optional treatment of elective deferrals as plus contributions.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 209. AVAILABILITY OF QUALIFIED PLANS TO SELF-EMPLOYED INDIVIDUALS WHO ARE EXEMPT FROM THE SELF-EMPLOYMENT TAX BY REASON OF THEIR RELIGIOUS BELIEFS.

(a) IN GENERAL.—Subparagraph (A) of section 401(c)(2) (defining earned income) is amended by adding at the end thereof the following new sentence: ''For purposes of this part only (other than sections 419 and 419A), this subparagraph shall be applied as if the term 'trade or business' for purposes of section 1402 included service described in section 1402(c)(6).''.

(b) SIMPLE RETIREMENT ACCOUNTS.—Clause (ii) of section 408(p)(6)(A) (defining self-employed) is amended by adding at the end the following new sentence: ''The preceding sentence shall be applied as if the term 'trade or business' for purposes of section 1402 included service described in section 1402(c)(6).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 210. CERTAIN NONRESIDENT ALIENS EXCLUDED IN APPLYING MINIMUM COVERAGE REQUIREMENTS.

(a) IN GENERAL.—Subparagraph (C) of section 410(b)(3) (relating to exclusion of certain employees) is amended by inserting '', determined without regard to the reference to subchapter D in the last sentence thereof'' after ''section 861(a)(3)''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to plan years beginning after December 31, 2001.

TITLE III—ENHANCING FAIRNESS FOR WOMEN

SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(A) $5,000, or

''(B) the excess (if any) of—

''(i) the participant's compensation for the year, over

''(ii) any other elective deferrals of the participant for such year which are made without regard to this subsection.

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1), such contribution shall not, with respect to the year in which the contribution is made—

''(A) be subject to any otherwise applicable limitation contained in section 402(g), 402(h)(2), 404(a), 404(h), 408(p)(2)(A)(ii), 415, or 457, or

''(B) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan.

''(4) APPLICATION OF NONDISCRIMINATION RULES.—

''(A) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet the nondiscrimination requirements under section 401(a)(4) with respect to benefits, rights, and features if the plan allows all eligible participants to make the same election with respect to the additional elective deferrals under this subsection.

''(B) AGGREGATION.—For purposes of subparagraph (A), all plans maintained by employers who are treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as 1 plan.

''(5) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) who has attained the age of 50 before the close of the plan year, and

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or comparable limitation contained in the terms of the plan.

''(6) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(B) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (A)(iii) for any year to which section 457(b)(3) applies.

''(D) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2006, the Secretary shall adjust annually the $5,000 amount in paragraph (2)(A) for increases in the cost-of-living at the same time and in the same manner as adjustments under section 415(d); except that the base period taken into account shall be the calendar quarter beginning July 1, 2005, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2001.

SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

(2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'';

(B) by striking paragraph (2); and

(C) by inserting ''or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 404(j) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR MONEY PURCHASE PLANS.—For purposes of paragraph (1)(B), in the case of a defined contribution plan which is subject to the funding standards of section 412, section 415(c)(1)(B) shall be applied by substituting '25 percent' for '100 percent'.''.

(D) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(E) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(F) Section 415(c) is amended by striking paragraph (4).

(G) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(H) Subparagraph (B) of section 402(g)(7) (as redesignated by section 201) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(I) Section 664(g) is amended—

(i) in paragraph (3)(E) by striking ''limitations under section 415(c)'' and inserting ''applicable limitation under paragraph (7)'', and

(ii) by adding at the end the following new paragraph:

''(7) APPLICABLE LIMITATION.—

''(A) IN GENERAL.—For purposes of paragraph (3)(E), the applicable limitation under this paragraph with respect to a participant is an amount equal to the lesser of—

''(i) $30,000, or

''(ii) 25 percent of the participant's compensation (as defined in section 415(c)(3)).

''(B) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust annually the $30,000 amount under subparagraph (A)(i) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning October 1, 1993, and any increase under this subparagraph which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) IN GENERAL.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR SECTIONS 403(B) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 1999.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2000, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2) in the matter preceding subparagraph (A), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan''; and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) AMENDMENT OF ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), in the matter preceding subparagraph (A), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2001.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment); or

(ii) January 1, 2002; or

(B) January 1, 2006.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 304. MODIFICATIONS TO MINIMUM DISTRIBUTION RULES.

(a) LIFE EXPECTANCY TABLES.—The Secretary of the Treasury shall modify the life expectancy tables under the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code to reflect current life expectancy.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

(A) Clause (i) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''FOR OTHER CASES'' in the heading; and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

(C) Clause (iii) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'';

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'';

(iii) by striking ''the date on which the employee would have attained age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,''; and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) DISTRIBUTIONS TO SURVIVING SPOUSE.—

(i) IN GENERAL.—In the case of an employee described in clause (ii), distributions to the surviving spouse of the employee shall not be required to commence prior to the date on which such distributions would have been required to begin under section 401(a)(9)(B) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act).

(ii) CERTAIN EMPLOYEES.—An employee is described in this clause if such employee dies before—

(I) the date of the enactment of this Act, and

(II) the required beginning date (within the meaning of section 401(a)(9)(C) of the Internal Revenue Code of 1986) of the employee.

(c) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) IN GENERAL.—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))''; and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2001.

SEC. 306. PROVISIONS RELATING TO HARDSHIP DISTRIBUTIONS.

(a) SAFE HARBOR RELIEF.—

(1) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(2) EFFECTIVE DATE.—The revised regulations under this subsection shall apply to years beginning after December 31, 2001.

(b) HARDSHIP DISTRIBUTIONS NOT TREATED AS ELIGIBLE ROLLOVER DISTRIBUTIONS.—

(1) MODIFICATION OF DEFINITION OF ELIGIBLE ROLLOVER.—Subparagraph (C) of section 402(c)(4) (relating to eligible rollover distribution) is amended to read as follows:

''(C) any distribution which is made upon hardship of the employee.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to distributions made after December 31, 2001.

SEC. 307. WAIVER OF TAX ON NONDEDUCTIBLE CONTRIBUTIONS FOR DOMESTIC OR SIMILAR WORKERS.

(a) IN GENERAL.—Section 4972(c)(6) (relating to exceptions to nondeductible contributions), as amended by section 502, is amended by striking ''or'' at the end of subparagraph (A), by striking the period and inserting '', and'' at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:

''(C) so much of the contributions to a simple retirement account (within the meaning of section 408(p)) or a simple plan (within the meaning of section 401(k)(11)) which are not deductible when contributed solely because such contributions are not made in connection with a trade or business of the employer.''

(b) EXCLUSION OF CERTAIN CONTRIBUTIONS.—Section 4972(c)(6) is amended by adding at the end the following new sentence: ''Subparagraph (C) shall not apply to contributions made on behalf of the employer or a member of the employer's family (as defined in section 447(e)(1)).''.

(c) NO INFERENCE.—Nothing in the amendments made by this section shall be construed to infer the proper treatment of nondeductible contributions under the laws in effect before such amendments.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b) and which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(10) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in section 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8),'' and inserting ''403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) REASONABLE NOTICE.—No penalty shall be imposed on a plan for the failure to provide the information required by the amendment made by subsection (c) with respect to any distribution made before the date that is 90 days after the date on which the Secretary of the Treasury issues a safe harbor rollover notice after the date of the enactment of this Act, if the administrator of such plan makes a reasonable attempt to comply with such requirement.

(3) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of

the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following:

''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 404. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 403, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) IN GENERAL.—A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election, and

''(V) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) EXCEPTION.—Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) AMENDMENT OF ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election; and

''(v) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) Except to the extent provided in regulations promulgated by the Secretary of the Treasury, a defined contribution plan shall not be treated as failing to meet the requirements of this subsection merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) REGULATIONS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by inserting after the second sentence the following new sentence: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any

participant in a more than de minimis manner.''.

(2) AMENDMENT OF ERISA.—Section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended by inserting before the last sentence the following new sentence: ''The Secretary of the Treasury shall by regulations provide that this paragraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any participant in a more than de minimis manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2003, the Secretary of the Treasury is directed to issue regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendment made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2003, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination''; and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'';

(ii) by striking subparagraph (C); and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—Subsection (e) of section 457 is amended by adding after paragraph (16) the following new paragraph:

''(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2001.

SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT OF ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

SEC. 501. REPEAL OF PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

''In the case of any plan year beginning in—	**The applicable percentage is—**
2002	165
2003	170.''.

(b) AMENDMENT OF ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

''In the case of any plan year beginning in—	**The applicable percentage is—**
2002	165
2003	170.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c), as amended by section 207, is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 504. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—

(1) IN GENERAL.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the notice to which the failure relates is provided or the failure is otherwise corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED AND REASONABLE DILIGENCE EXERCISED.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that any person subject to liability for the tax under subsection (d) did not know that the failure existed and exercised reasonable diligence to meet the requirements of subsection (e).

''(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

''(A) any person subject to liability for the tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), and

''(B) such person provides the notice described in subsection (e) during the 30-day period beginning on the first date such person knew, or exercising reasonable diligence would have known, that such failure existed.

''(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—

''(A) IN GENERAL.—If the person subject to liability for tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan.

''(B) TAXABLE YEARS IN THE CASE OF CERTAIN CONTROLLED GROUPS.—For purposes of this paragraph, if all persons who are treated as a single employer for purposes of this section do not have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(4) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive or otherwise inequitable relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment. The Secretary may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(A) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(B) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(3) TIMING OF NOTICE.—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) each participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.

''(3) EARLY RETIREMENT.—A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

''(g) NEW TECHNOLOGIES.—The Secretary may by regulations allow any notice under subsection (e) to be provided by using new technologies.''.

(2) CLERICAL AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

''Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.''.

(b) AMENDMENT OF ERISA.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraphs:

''(3)(A) An applicable pension plan to which paragraph (1) applies shall not be treated as meeting the requirements of such paragraph unless, in addition to any notice required to be provided to an individual or organization under such paragraph, the plan administrator provides the notice described in subparagraph (B) to each applicable individual (and to each employee organization representing applicable individuals).

''(B) The notice required by subparagraph (A) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow applicable individuals to understand the effect of the plan amendment. The Secretary of the Treasury may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(i) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(ii) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(C) Except as provided in regulations prescribed by the Secretary of the Treasury, the notice required by subparagraph (A) shall be provided within a reasonable time before the effective date of the plan amendment.

''(D) Any notice under subparagraph (A) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(E) A plan shall not be treated as failing to meet the requirements of subparagraph (A) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(F) The Secretary of the Treasury may by regulations allow any notice under this paragraph to be provided by using new technologies.

''(4) For purposes of paragraph (3)—

''(A) The term 'applicable individual' means, with respect to any plan amendment—

''(i) each participant in the plan; and

''(ii) any beneficiary who is an alternate payee (within the meaning of section 206(d)(3)(K)) under an applicable qualified domestic relations order (within the meaning of section 206(d)(3)(B)(i)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(B) The term 'applicable pension plan' means—

''(i) any defined benefit plan; or

''(ii) an individual account plan which is subject to the funding standards of section 412 of the Internal Revenue Code of 1986.

''(C) A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of subsection (g)(2)(A)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986, and section 204(h)(3) of the Employee Retirement Income Security Act of 1974, as added by the amendments made by this section, a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL NOTICE RULE.—

(A) IN GENERAL.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

(B) REASONABLE NOTICE.—The amendments made by this section shall not apply to any plan amendment taking effect on or after the date of the enactment of this Act if, before April 25, 2001, notice was provided to participants and beneficiaries adversely affected by the plan amendment (or their representatives) which was reasonably expected to notify them of the nature and effective date of the plan amendment.

(d) STUDY.—The Secretary of the Treasury shall prepare a report on the effects of conversions of traditional defined benefit plans to cash balance or hybrid formula plans. Such study shall examine the effect of such conversions on longer service participants, including the incidence and effects of ''wear away'' provisions under which participants earn no additional benefits for a period of time after the conversion. As soon as practicable, but not later than 60 days after the date of the enactment of this Act, the Secretary shall submit such report, together with recommendations thereon, to the Committee on Ways and Means and the Committee on Education and the Workforce of the House of Representatives and the Committee on Finance and the Committee on Health, Education, Labor, and Pensions of the Senate.

SEC. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—

(1) IN GENERAL.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(2) CONFORMING AMENDMENT.—Section 415(b)(7) (relating to benefits under certain collectively bargained plans) is amended by inserting ''(other than a multiemployer plan)'' after ''defined benefit plan'' in the matter preceding subparagraph (A).

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated—

''(A) with any other plan which is not a multiemployer plan for purposes of applying subsection (b)(1)(B) to such other plan, or

''(B) with any other multiemployer plan for purposes of applying the limitations established in this section.''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 506. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

(a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

SEC. 507. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

''SEC. 105. (a)(1)(A) The administrator of an individual account plan shall furnish a pension benefit statement—

''(i) to a plan participant at least once annually, and

''(ii) to a plan beneficiary upon written request.

''(B) The administrator of a defined benefit plan shall furnish a pension benefit statement—

''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

''(ii) to a plan participant or plan beneficiary of the plan upon written request.

''(2) A pension benefit statement under paragraph (1)—

''(A) shall indicate, on the basis of the latest available information—

''(i) the total benefits accrued, and

''(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

''(B) shall be written in a manner calculated to be understood by the average plan participant, and

''(C) may be provided in written, electronic, or other appropriate form.

''(3)(A) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.

''(B) The Secretary may provide that years in which no employee or former employee benefits (within the meaning of section 410(b) of the Internal Revenue Code of 1986) under the plan need not be taken into account in determining the 3-year period under paragraph (1)(B)(i).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.

(c) MODEL STATEMENTS.—The Secretary of Labor shall develop a model benefit statement, written in a manner calculated to be understood by the average plan participant, that may be used by plan administrators in complying with the requirements of section 105 of the Employee Retirement Income Security Act of 1974.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

SEC. 508. PROHIBITED ALLOCATIONS OF STOCK IN S CORPORATION ESOP.

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATIONS OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified person.

''(2) FAILURE TO MEET REQUIREMENTS.—

''(A) IN GENERAL.—If a plan fails to meet the requirements of paragraph (1), the plan shall be treated as having distributed to any disqualified person the amount allocated to the account of such person in violation of paragraph (1) at the time of such allocation.

''(B) CROSS REFERENCE.—

''For excise tax relating to violations of paragraph (1) and ownership of synthetic equity, see section 4979A.

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified persons own at least 50 percent of the number of shares of stock in the S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), individual shall be treated as owning deemed-owned shares of the individual.

Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.

''(4) DISQUALIFIED PERSON.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified person' means any person if—

''(i) the aggregate number of deemed-owned shares of such person and the members of such person's family is at least 20 percent of the number of deemed-owned shares of stock in the S corporation, or

''(ii) in the case of a person not described in clause (i), the number of deemed-owned shares of such person is at least 10 percent of the number of deemed-owned shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified person described in subparagraph (A)(i), any member of such person's family with deemed-owned shares shall be treated as a disqualified person if not otherwise treated as a disqualified person under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any person—

''(I) the stock in the S corporation constituting employer securities of an employee stock ownership plan which is allocated to such person under the plan, and

''(II) such person's share of the stock in such corporation which is held by such plan but which is not allocated under the plan to participants.

''(ii) PERSON'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), a person's share of unallocated S corporation stock held by such plan is the amount of the unallocated stock which would be allocated to such person if the unallocated stock were allocated to all participants in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

''(i) the spouse of the individual,

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any individual described in clause (ii) or (iii).

A spouse of an individual who is legally separated from such individual under a decree of divorce or separate maintenance shall not be treated as such individual's spouse for purposes of this subparagraph.

''(5) TREATMENT OF SYNTHETIC EQUITY.—For purposes of paragraphs (3) and (4), in the case of a person who owns synthetic equity in the S corporation, except to the extent provided in regulations, the shares of stock in such corporation on which such synthetic equity is based shall be treated as outstanding stock in such corporation and deemed-owned shares of such person if such treatment of synthetic equity of 1 or more such persons results in—

''(A) the treatment of any person as a disqualified person, or

''(B) the treatment of any year as a nonallocation year.

For purposes of this paragraph, synthetic equity shall be treated as owned by a person in the same manner as stock is treated as owned by a person under the rules of paragraphs (2) and (3) of section 318(a). If, without regard to this paragraph, a person is treated as a disqualified person or a year is treated as a nonallocation year, this paragraph shall not be construed to result in the person or year not being so treated.

''(6) DEFINITIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(C) SYNTHETIC EQUITY.—The term 'synthetic equity' means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that gives the holder the right to acquire or receive stock of the S corporation in the future. Except to the extent provided in regulations, synthetic equity also includes a stock appreciation right, phantom stock unit, or similar right to a future cash payment based on the value of such stock or appreciation in such value.

''(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.''.

(b) COORDINATION WITH SECTION 4975(e)(7).—The last sentence of section 4975(e)(7) (defining employee stock ownership plan) is amended by inserting '', section 409(p),'' after ''409(n)''.

(c) EXCISE TAX.—

(1) APPLICATION OF TAX.—Subsection (a) of section 4979A (relating to tax on certain prohibited allocations of employer securities) is amended—

(A) by striking ''or'' at the end of paragraph (1), and

(B) by striking all that follows paragraph (2) and inserting the following:

''(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

''(4) any synthetic equity is owned by a disqualified person in any nonallocation year,

there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.''.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended to read as follows:

''(c) LIABILITY FOR TAX.—The tax imposed by this section shall be paid—

''(1) in the case of an allocation referred to in paragraph (1) or (2) of subsection (a), by—

''(A) the employer sponsoring such plan, or

''(B) the eligible worker-owned cooperative,

which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

''(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.''.

(3) DEFINITIONS.—Section 4979A(e) (relating to definitions) is amended to read as follows:

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) DEFINITIONS.—Except as provided in paragraph (2), terms used in this section have the same respective meanings as when used in sections 409 and 4978.

''(2) SPECIAL RULES RELATING TO TAX IMPOSED BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (a).—

''(A) PROHIBITED ALLOCATIONS.—The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

''(B) SYNTHETIC EQUITY.—The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

''(C) SPECIAL RULE DURING FIRST NONALLOCATION YEAR.—For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

''(D) STATUTE OF LIMITATIONS.—The statutory period for the assessment of any tax imposed by this section by reason of paragraph

(3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

''(i) the allocation or ownership referred to in such paragraph giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such allocation or ownership.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2004.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after March 14, 2001, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

the amendments made by this section shall apply to plan years ending after March 14, 2001.

TITLE VI—REDUCING REGULATORY BURDENS

SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (9) of section 412(c) (relating to annual valuation) is amended to read as follows:

''(9) ANNUAL VALUATION.—

''(A) IN GENERAL.—For purposes of this section, a determination of experience gains and losses and a valuation of the plan's liability shall be made not less frequently than once every year, except that such determination shall be made more frequently to the extent required in particular cases under regulations prescribed by the Secretary.

''(B) VALUATION DATE.—

''(i) CURRENT YEAR.—Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) ELECTION TO USE PRIOR YEAR VALUATION.—The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) ADJUSTMENTS.—Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENT OF ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)''; and

(2) by adding at the end the following:

''(B)(i) Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan; and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

(b) STANDARDS FOR DISALLOWANCE.—Section 404(k)(5)(A) (relating to disallowance of deduction) is amended by inserting ''avoidance or'' before ''evasion''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 2001.

SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401(k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan; and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401(k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning advice or information provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 606. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury and the Secretary of Labor shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $250,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated); or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation);

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business;

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses);

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control; and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of plan years beginning after December 31, 2002, the Secretary of the Treasury and the Secretary of Labor shall provide for the filing of a simplified annual return for any retirement plan which covers less than 25 employees on the first day of a plan year and which meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2).

(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2002.

SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program;

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures;

(3) extending the duration of the self-correction period under the Self-Correction Program for significant compliance failures;

(4) expanding the availability to correct insignificant compliance failures under the Self-Correction Program during audit; and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 608. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test; and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2003, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—

(1) Subparagraph (G) of section 401(a)(5) of the Internal Revenue Code of 1986 and subparagraph (H) of section 401(a)(26) are each amended by striking ''section 414(d))'' and all that follows and inserting ''section 414(d)).''.

(2) Subparagraph (G) of section 401(k)(3) and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by striking ''maintained by a State or local government or political subdivision thereof (or agency or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subparagraph (G) of section 401(a)(5) is amended to read as follows: ''GOVERNMENTAL PLANS.—''.

(2) The heading for subparagraph (H) of section 401(a)(26) is amended to read as follows: ''EXCEPTION FOR GOVERNMENTAL PLANS.—''.

(3) Subparagraph (G) of section 401(k)(3) is amended by inserting ''GOVERNMENTAL PLANS.—'' after ''(G)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—

(A) IN GENERAL.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''180-day''.

(B) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''180 days'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(2) AMENDMENT OF ERISA.—

(A) IN GENERAL.—Section 205(c)(7)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)(A)) is amended by striking ''90-day'' and inserting ''180-day''.

(B) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under part 2 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 to the extent that they relate to sections 203(e) and 205 of such Act to substitute ''180 days'' for ''90 days'' each place it appears.

(3) EFFECTIVE DATE.—The amendments made by paragraph (1)(A) and (2)(A) and the modifications required by paragraph (1)(B) shall apply to years beginning after December 31, 2001.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 and under section 205 of the Employee Retirement Income Security Act of 1974 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

SEC. 612. ANNUAL REPORT DISSEMINATION.

(a) REPORT AVAILABLE THROUGH ELECTRONIC MEANS.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by adding at the end the following new sentence: ''The requirement to furnish information under the previous sentence shall be satisfied if the administrator makes such information reasonably available through electronic means or other new technology.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 2000.

SEC. 613. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001, 2005, and 2009 in the month of September of each year involved'';

(2) in subsection (b), by adding at the end the following new sentence: ''To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council or any other appropriate, qualified entity.'';

(3) in subsection (e)(2)—

(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (D) and inserting ''Committee on Health, Education, Labor, and Pensions'';

(B) by striking subparagraph (F) and inserting the following:

''(F) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(4) in subsection (e)(3)—

(A) by striking ''There shall be not more than 200 additional participants.'' in subparagraph (A) and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in subparagraph (A)(i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'';

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in subparagraph (A)(ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'';

(D) by redesignating subparagraph (B) as subparagraph (C); and

(E) by inserting after subparagraph (A) the following new subparagraph:

''(B) PRESIDENTIAL AUTHORITY FOR ADDITIONAL APPOINTMENTS.—The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this subparagraph additional participants to the National Summit. The number of such additional participants appointed under this subparagraph may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.'';

(5) in subsection (e)(3)(C) (as redesignated), by striking ''January 31, 1998'' and inserting ''May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively'';

(6) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'';

(7) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'' the first place it appears;

(8) in subsection (i)—

(A) by striking ''beginning on or after October 1, 1997'' in paragraph (1) and inserting ''2001, 2005, and 2009''; and

(B) by adding at the end the following new paragraph:

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions accepted in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.''; and

(9) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract on a sole-source basis''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001, 2005, and 2009''.

TITLE VII—OTHER ERISA PROVISIONS

SEC. 701. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

''(1) TRANSFER TO CORPORATION.—The plan administrator of a plan described in paragraph (4) may elect to transfer a missing participant's benefits to the corporation upon termination of the plan.

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

''(ii) which is not a plan described in paragraphs (2) through (11) of section 4021(b), and

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

''(5) CERTAIN PROVISIONS NOT TO APPLY.—Subsections (a)(1) and (a)(3) shall not apply to a plan described in paragraph (4).''.

(b) CONFORMING AMENDMENTS.—Section 206(f) of such Act (29 U.S.C. 1056(f)) is amended—

(1) by striking ''title IV'' and inserting ''section 4050''; and

(2) by striking ''the plan shall provide that,''.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 702. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by two or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 703. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

''(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''.

(b) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)), as amended by section 702(b), is amended—

(1) by striking ''The'' in subparagraph (E)(i) and inserting ''Except as provided in subparagraph (G), the'', and

(2) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed $5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

''(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor's controlled group. In the case of a plan maintained by two or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether the 25-or-fewer-employees limitation has been satisfied.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2001.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2001.

SEC. 704. AUTHORIZATION FOR PBGC TO PAY INTEREST ON PREMIUM OVERPAYMENT REFUNDS.

(a) IN GENERAL.—Section 4007(b) of the Employment Retirement Income Security Act of 1974 (29 U.S.C. 1307(b)) is amended—

(1) by striking ''(b)'' and inserting ''(b)(1)'', and

(2) by inserting at the end the following new paragraph:

''(2) The corporation is authorized to pay, subject to regulations prescribed by the corporation, interest on the amount of any overpayment of premium refunded to a designated payor. Interest under this paragraph shall be calculated at the same rate and in the same manner as interest is calculated for underpayments under paragraph (1).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accruing for periods beginning not earlier than the date of the enactment of this Act.

SEC. 705. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following new paragraph:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following new subsection:

''(d) For purposes of subsection (b)(9), the term 'substantial owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2001, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on January 1, 2002.

SEC. 706. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended by inserting after ''fiduciary or other person'' the following: ''(or from any other person on behalf of any such fiduciary or other person)''.

(c) OTHER RULES.—Section 502(l) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)) is amended by adding at the end the following new paragraphs:

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of the enactment of this Act.

SEC. 707. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under subparagraph (B) of section 203(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that the notification required by such regulation in connection with any suspension of benefits described in such subparagraph—

(1) in the case of an employee who returns to service under the plan after commencement of payment of benefits under the plan—

(A) shall be made during the first calendar month or payroll period in which the plan withholds payments, and

(B) if a reduced rate of future benefit accrual will apply to the returning employee (as of the first date of participation in the plan by the employee after returning to work), shall include a statement that the rate of future benefit accrual will be reduced, and

(2) in the case of any employee who is not described in paragraph (1)—

(A) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(B) need not include a copy of the relevant plan provisions.

(b) EFFECTIVE DATE.—The modification made under this section shall apply to plan years beginning after December 31, 2001.

SEC. 708. STUDIES.

(a) MODEL SMALL EMPLOYER GROUP PLANS STUDY.—As soon as practicable after the date of the enactment of this Act, the Secretary of Labor, in consultation with the Secretary of the Treasury, shall conduct a study to determine—

(1) the most appropriate form or forms of—

(A) employee pension benefit plans which would—

(i) be simple in form and easily maintained by multiple small employers, and

(ii) provide for ready portability of benefits for all participants and beneficiaries,

(B) alternative arrangements providing comparable benefits which may be established by employee or employer associations, and

(C) alternative arrangements providing comparable benefits to which employees may contribute in a manner independent of employer sponsorship, and

(2) appropriate methods and strategies for making pension plan coverage described in paragraph (1) more widely available to American workers.

(b) MATTERS TO BE CONSIDERED.—In conducting the study under subsection (a), the Secretary of Labor shall consider the adequacy and availability of existing employee pension benefit plans and the extent to which existing models may be modified to be more accessible to both employees and employers.

(c) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Secretary of Labor shall report the results of the study under subsection (a), together with the Secretary's recommendations, to the Committee on Education and the Workforce and the Committee on Ways and Means of the House of Representatives and the Committee on Health, Education, Labor, and Pensions and the Committee on Finance of the Senate. Such recommendations shall include one or more model plans described in subsection (a)(1)(A) and model alternative arrangements described in subsections (a)(1)(B) and (a)(1)(C) which may serve as the basis for appropriate administrative or legislative action.

(d) STUDY ON EFFECT OF LEGISLATION.—Not later than 5 years after the date of the enactment of this Act, the Secretary of Labor shall submit to the Committee on Education

and the Workforce of the House of Representatives and the Committee on Health, Education, Labor, and Pensions of the Senate a report on the effect of the provisions of this Act on pension plan coverage, including any change in—

(1) the extent of pension plan coverage for low and middle-income workers,

(2) the levels of pension plan benefits generally,

(3) the quality of pension plan coverage generally,

(4) workers' access to and participation in pension plans, and

(5) retirement security.

TITLE VIII—PLAN AMENDMENTS

SEC. 801. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A); and

(2) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this Act, or pursuant to any regulation issued under this Act; and

(B) on or before the last day of the first plan year beginning on or after January 1, 2004.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2006'' for ''2004''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan); and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect; and

(B) such plan or contract amendment applies retroactively for such period.

The SPEAKER pro tempore. After 90 minutes of debate on the bill as amended, it shall be in order to consider the further amendment printed in House Report 107–53, which may be offered only by a Member designated in the report, shall be considered read and shall be debatable for 1 hour, equally divided and controlled by the proponent and an opponent.

The gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) each will control 30 minutes of debate on the bill, and the gentleman from Ohio (Mr. BOEHNER) and the gentleman from New Jersey (Mr. ANDREWS) each will control 15 minutes of debate on the bill.

The Chair understands that the representatives of the Committee on Education and the Workforce will manage their time at the outset of the debate.

The Chair recognizes the gentleman from Ohio (Mr. BOEHNER).

Mr. BOEHNER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in strong support of H.R. 10. Improving retirement security is a top priority of this Congress as we work to secure America's future.

Mr. Speaker, improving retirement security is not just about fixing Social Security. It is also about expanding access to private pension plans and making innovations that will maximize every American's opportunity for a safe and secure retirement. We are committed to strengthening the retirement security of workers and their families by expanding pension coverage and protecting their pensions and their retirement savings.

Today, we take up a bill that will directly improve the retirement security of American workers. The Comprehensive Retirement Security and Pension Reform Act of 2001 makes retirement security more available to millions of workers by, one, expanding small business retirement plans, which cover 75 percent of the workforce; two, allowing workers to save more; three, addressing the needs of an increasingly mobile workforce through greater portability; four, making pensions more secure; and five, cutting the red tape that has hamstrung employers who want to establish pension plans for their employees.

This legislation, introduced by my two colleagues, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), is truly bipartisan. They have done a great job for this House on this issue over 3 years now, and our committee, the Committee on Education and the Workforce, reported H.R. 10 by a bipartisan voice vote. In July 2000, the House passed a virtually identical bill, H.R. 1102, by a vote of 401 to 25.

The committee has made every effort to maintain this bipartisan approach. Both this Congress and last, we have kept our Democrat counterparts and the administration fully informed as to procedural and substantive issues related to the bill. We have solicited their input and sought to accommodate their concerns. In addition, we have worked closely with our colleagues on the Committee on Ways and Means, and I want to thank the gentleman from California (Chairman THOMAS) and his staff for their help and leadership in moving this bill to the floor.

Rarely has such an ambitious piece of legislation earned such broad support. Today, about 175 Republicans and 130 Democrats are cosponsors of the bill. More than 100 groups have endorsed the bill, both businesses and unions, from AFSCME, the Teamsters, the Laborers International, and the NEA to the U.S. Chamber, the National Federation of Independent Business, the National Association of Manufacturers, the American Benefits Council, and the American Council of Life Insurers.

The bill contains 22 amendments to the Employee Retirement Income Security Act of 1974. The important changes within our committee's jurisdiction include granting relief from excessive PBGC premiums for new small business plans; accelerating the vesting of workers' accounts; repealing and modifying a wide range of unnecessary and outdated rules and regulations; providing more frequent benefit statements to workers; requiring enhanced disclosure and other protections when future pension benefits are reduced, as in the case of conversion to cash balance accounts; and repealing the so-called full funding limit that arbitrarily limits defined benefit plan funding to a less than actuarially sound level.

Pension reform is a critical issue for our Nation's increasingly mobile workforce, and it spans the generation gap. It concerns both younger workers, whose retirement security is most in doubt today, and older workers, the 76 million baby boomers who are now approaching retirement age.

Whether you are an older worker, a member of Generation X or someone who falls in between, we all have a stake in this issue. Through passage of this bill, we can all take credit for making a real difference in the lives of our constituents.

Mr. Speaker, I reserve the balance of my time.

Mr. ANDREWS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of the legislation. I congratulate our friends, the gentleman from Ohio (Mr. PORTMAN), the gentleman from Maryland (Mr. CARDIN), and on behalf of our ranking member, the gentleman from California (Mr. GEORGE MILLER), we extend our appreciation to the gentleman from Ohio (Chairman BOEHNER), and the subcommittee chairman, the gentleman from Texas (Mr. SAM JOHNSON), for their courtesy and cooperation in this bipartisan effort.

I concur with the remarks the chairman just made that this bill will make a positive difference in a lot of people's lives. It will make a difference when people are determining how much they can afford to put into their 401(k) or IRA. It will positively affect that decision, because they will be able to put more in.

It will positively affect people's lives when a small business person sits down at the end of the year and decides what to do with the excess earnings that he or she has generated during the year. Because of so-called overfunding provisions in the present law, we actually have a law that makes it illegal for small business owners to put substantial amounts of money into a pension fund. We agree that the opposite ought to be the case, that we should encourage people to put as much as possible for as many people as possible into their funds, and that is an achievement of this legislation.

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It will make a difference when many Americans who have left the workforce for a while want to catch up for the years that they have missed. Whether it was for raising children or for pursuing an education, for various reasons, people leave the workforce. Their income either declines or disappears altogether. They are unable to put money away during those years. When they return to the workforce and wish to catch up for those lost years, there are artificial limitations on what Americans can save.

This legislation removes those artificial limitations and will help many people, especially women, catch up for those missed years in the workforce.

We are particularly pleased that this legislation corrects an unfair and anomalous situation referred to as the section 415 problem. There are many Americans across the country who for years have driven a truck or worked on construction sites or worked for a public employer who have earned substantial pensions, but when they go to collect those pensions when they retire, they find that they cannot collect all that they are entitled to because of an anomaly that exists under section 415 of the Internal Revenue Code.

This bill corrects that problem. It says to those individuals that they will be able to draw down the income that their plan promised them and that they thought they had earned during those years. This is by no means an attribute or asset for people at the very top of the income scale, it is for people that have driven trucks and built buildings and worked in public hospitals and for governments and schools.

It is one of the reasons why this legislation enjoys the support of AFCSME, the National Education Association, and many, many other labor organizations across the country.

We understand, and later there will be an amendment offered that speaks to this point, that there are many Americans left out of the private pension system altogether, about 70 million of them. We believe that our amendment, offered by the gentleman from Massachusetts (Mr. NEAL), cosponsored by myself and others, will help address that problem. But it is clear that the underlying bill achieves a number of positive things for people across the spectrum.

For this reason, I am pleased to join both Republican and Democratic colleagues in support.

Mr. Speaker, I reserve the balance of my time.

Mr. BOEHNER. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. SAM JOHNSON), the chairman of the Subcommittee on Employer-Employee Relations.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I thank our Democratic colleagues for supporting us on this. It is with great pleasure that I rise today, because I think this is the most significant overhaul of retirement law in 25 years.

Twenty-five years ago, it was common for someone to work an entire lifetime in one job and retire with a pension. A generation later, America has a mobile workforce, and it is not uncommon for employees to spend just a few years at one job and then move to another. As a result, it is harder and harder for people to add to their nest egg with employer support.

It is not that employers do not want to help out. It is just that rules and regulations make it difficult. To these Americans, both employers and employees who want to sock away something for retirement, help is on the way. This Comprehensive Retirement Security and Pension Reform Act of 2001 is going to do just that.

As chair of the Subcommittee on Employer-Employee Relations as well as a member of the Committee on Ways and Means, one of my objectives has been to find ways to expand retirement coverage, and I have had a lot of help from my Democrat colleagues and by small businesses, as well as to search for ways to make retirement plans more friendly.

It is no secret that the cooling economy has bothered people, and people have watched their retirement accounts, their balances, fall. Of course, this makes them uneasy. They are saving for their golden years, retirement; and their nest egg is getting smaller and smaller.

It is time to act now. This Congress is going to do that. To better prepare for the day when they no longer show up for work every morning, the best way to give these people peace of mind is to enact H.R. 10. If we want to secure America's future, people have to feel confident about their retirement; and by passing this bill, we have taken a long step toward making them feel that way.

I think this step down the road to strengthening our private employer-based pension system for all Americans, especially for all of the 70 million baby boomers who are nearing retirement age, is very important. We have to continue down this bipartisan path to ensure that our American workers can enjoy their golden years comfortably and securely. Let us pass this bill to protect our seniors.

Mr. ANDREWS. Mr. Speaker, I am pleased to yield 3 minutes to our friend, the gentleman from Massachusetts (Mr. TIERNEY), a strong supporter of retiree rights, particularly those in the telecommunications industry, and the author of important legislation in that area.

Mr. TIERNEY. Mr. Speaker, I thank the gentleman not only for the time, but for the tremendous effort he has made in trying to make this decent bill even better.

Mr. Speaker, I am what we might term a conditional supporter of H.R. 10. While I believe that this legislation is in fact a step in the right direction toward ensuring retirement security for Americans, I do not think that this legislation really goes far enough in achieving this goal for everyone.

As it stands, this bill is certainly not as comprehensive as it could be, and is not as comprehensive as it should be, a fact that I think is clearly recognized by those of us who join the gentleman from Massachusetts (Mr. NEAL) in support of his amendment that will be offered in a little while.

Today, despite the best intentions of others, the underlying legislation does not quite live up to its billing. Even more important, it does not quite live up enough to the ideal of this representative body attending to the needs of all the Nation's people.

The Portman-Cardin bill does not have something for everyone, but it certainly has a lot for a few. In fact, the Center on Budget and Policy Priorities has most recently published a paper on this bill based on a rather extensive study.

It finds that while the pension provisions will increase savings for some, it does little or nothing to increase savings for the people who are most in need of our help, low- and middle-income workers that comprise the majority of our workforce.

Specifically, the Institute for Taxation and Economic Policy has found that 76.9 percent of the pension and IRA tax reductions that will result in this bill would go to people making $67,000 or more. So if you earn less than $66,000, you will not be able to expect as much as you should if the bill becomes law in its current form.

That same institute has also found that less than 1 percent of the pension and IRA tax provisions of this bill would go to persons making 25 percent or less. That is 40 percent of our Nation's working population. I want to repeat that for those who might not have heard what I just said. Forty percent of the members of our workforce will receive only 1 percent of the benefits yielded as a result of this bill.

Fortunately, we have a way to make this bill actually work better for all people. We can do that. The way to do it is to adopt a substitute that will be offered a little while later.

As we have heard and we will hear again, that substitute would leave intact the base bill and add a few provisions that, by their addition, actually make this a bill that we can be proud of and a bill that would truly make a difference.

As we know, the version of this legislation being considered in the Senate includes measures that would address the needs of those low- and moderate-income savers who contribute to retirement plans. This amendment seeks to bring H.R. 10 more in line with that version.

Specifically, what this amendment would do is simply expand the existing pension coverage for those who currently contribute to pension plans, but

also extend it to those who, for whatever reason, do not and cannot.

The fact is that when weighed against paying medical bills, planning for a child's college education, and making mortgage payments, retirement planning remains a low priority for many families and working people.

Mr. Speaker, this is a legitimate concern that I do not believe H.R. 10 alone takes any significant steps to address.

One final point, Mr. Speaker. If the argument is ever raised that the provisions of this bill are too expensive, let us remember that it is only a fraction of the cost of the base bill, and we have started in this body to have the majority try to give away billions of dollars to the wealthiest 2 percent through estate tax provisions.

We can do better. We should do better with this bill.

The SPEAKER pro tempore (Mr. THORNBERRY). Without objection, the gentleman from Texas (Mr. SAM JOHNSON) will control the time of the gentleman from Ohio (Mr. BOEHNER).

There was no objection.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would just like to comment that this bill has helped small businesses, those with less than 50 employees, right on down to one. So in order to help those guys who have not in the past been able to fund retirement plans, they now can, if this bill passes.

Mr. Speaker, I yield 1 minute to the gentlewoman from New Jersey (Mrs. ROUKEMA).

(Mrs. ROUKEMA asked and was given permission to revise and extend her remarks.)

Mrs. ROUKEMA. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, as an original cosponsor of this bill, I rise in strong support of it. I want to associate my comments and observations about the merits of the bill with what the gentleman from Ohio (Chairman BOEHNER) and our colleague, the gentleman from Texas (Mr. JOHNSON), have said.

I also want to say that the legislation is overdue, as has already been pointed out, but that it is particularly appropriate at this time because it has strong support from both employers and employees and is the kind of tax reform that will help Americans save and invest in the future. It complements the tax bill that we are soon to have enacted into law.

I guess I just want to say that I am very confident that President Bush will be signing this legislation in the near future. When it was passed last year it had overwhelming support, bipartisan support; and I fully expect that this will be a supplement to tax reform this year.

This legislation has vast bipartisan support including over 300 cosponsors. Last year, the same legislation passed by a vote of 401 to 25.

Mr. Speaker, this legislation is vitally needed. Only half of all private sector workers have any kind of pension and only 20 percent of small businesses offer retirement plans.

H.R. 10 allows workers to save more money in their IRAs and 401(k) plans. Congress has not raised the contribution limits on IRAs and pensions since the early 1980s. This legislation is timely because it addresses a very real and growing concern for millions of Americans trying to figure out how best to save for their retirement. With this bill, we can change the retirement outlook for millions of Americans.

The provisions in this bill are the most significant expansion of pension law in recent history. Both employers and employees are encouraged to create and participate in pension plans.

Specifically, the current $2,000 IRA contribution limit for both traditional and Roth IRAs are increased to $5,000 by 2003 and indexed for inflation thereafter.

Second, the bill provides increased contribution limits on pre-tax salary contribution to pension plans. For example, the limit on salary reduction contributions to 401(k)-type plans will be raised to $15,000 by 2005.

Third, the legislation includes additional ''catch-up'' provisions that allow workers aged 50 and older to save even more for their retirement needs.

Fourth, the bill includes a portability provision which allows workers to ''roll over'' their pension savings between plans when they change jobs.

Finally, the vesting requirements for employer matching contributions would be reduced to three years from five.

I believe that this bill is a significant step forward in encouraging American workers to save and invest in America. This is an important element of tax reform that this House will overwhelmingly endorse. I am confident that there will be significant pension and IRA reform in the final tax bill that President Bush will sign into law.

I strongly urge my colleagues to support the important legislation.

Mr. ANDREWS. Mr. Speaker, I am pleased to yield 2 minutes to the gentleman from Wisconsin (Mr. KIND), who has spoken very strongly for small business throughout his tenure.

(Mr. KIND asked and was given permission to revise and extend his remarks.)

Mr. KIND. Mr. Speaker, I thank my friend, the gentleman from New Jersey, for yielding me this time, and I commend his leadership and the leadership on the committee for putting together a bipartisan package that is going to be very important to American workers throughout the country and to their retirement security.

According to the Social Security Administration, many retirees receive 19 percent of their income from employer-provided pensions. However, half of private sector workers have no pension coverage at all. In addition, only 29 percent of small businesses with 25 or fewer employees offer pension plans to their employees.

H.R. 10 expands pension coverage and will help to provide retirement plans for those workers who are currently without such a plan. It increases the amount an individual can contribute to retirement accounts, and it allows individuals 50 years and older to make catch-up contributions to their 401(k) plans beginning in 2002, and in 2005 it will be indexed for inflation.

This measure will also require faster vesting of pensions, increase pension portability, and reduce fees for smaller business pension plans.

In the next 15 years, Mr. Speaker, 76 million baby boomers will retire. It is time that we pass legislation that helps encourage retirement and pension savings for all workers.

With the Social Security trust fund currently expected to be exhausted by 2037, we must act now to ensure the financial security of future generations. I believe H.R. 10 is a step in that direction.

I also want to commend my friend, the gentleman from Massachusetts (Mr. TIERNEY), for working hard to include language in this bill that would require the Department of Labor to conduct a study on the impact of H.R. 10 on low- and moderate-income workers. I believe we need to be fair in providing incentives to these low- and moderate-income workers, as well as for those in the upper income brackets, to participate in their retirement plans.

Mr. Speaker, I urge my colleagues today to support this bipartisan bill. Retirement benefits are critical to ensuring that our aging population has the income to live out their golden years.

Again, I commend the leadership, the chairman, and the ranking member on the committee for the fine work they have done with this legislation.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. MCKEON), a subcommittee chairman.

Mr. MCKEON. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I rise today as a proud cosponsor of this legislation.

First, I would like to thank the committee chairman, the gentleman from Ohio (Mr. BOEHNER), of the Committee on Education and the Workforce, and the subcommittee chairman, the gentleman from Texas (Mr. JOHNSON), for their work in bringing this bill to the floor.

I would also like to thank the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) for their tireless efforts in seeking pension reform.

Mr. Speaker, this bill provides $52 billion in tax relief to help hard-working Americans save for their retirement and their own security. Furthermore, H.R. 10 encourages small businesses to propose pension plans for its workers.

As a former small businessman, I recognize the need to encourage small businesses to offer pension plans. H.R. 10 does just that. This bill streamlines pension laws and repeals and modifies a wide range of unnecessary and outdated rules and regulations.

Specifically, it treats business owners like other pension plan participants by allowing them to take out loans from their retirement plans. This will go a long way in encouraging small businesses to establish benefit plans. For those companies that offer plans already, it will allow them to include a loan feature which will help persuade lower-income individuals to contribute to the plan.

Additionally, several studies show that one of the many reasons small business employers do not establish pension plans is the administrative costs associated with maintaining the plans. H.R. 10 would modify this problem by lowering the Pension Benefit Guaranty Corporation premiums for the new small business defined benefit plans.

Mr. Speaker, the small business education communities believe this reform is vital to encourage greater income security for all Americans. Therefore, I urge all my colleagues to support H.R. 10.

□ 1215

Mr. ANDREWS. Mr. Speaker, I yield 2 minutes to the gentlewoman from New York (Mrs. MCCARTHY), one of the strongest voices for fixing the 415 problem that I spoke to earlier.

Mrs. MCCARTHY of New York. Mr. Speaker, I rise in support of H.R. 10 and its impact on American workers across this country. The United States savings rate is at a level that has not been seen since the Great Depression. This is unfortunate because it forces more people to work later in life to supplement their retirement.

Retirees can no longer live solely on Social Security. Furthermore, not everyone employed is offered a pension or some form of retirement plan. That is why individual retirement accounts initially gained so much support when created in the 1970s. However, the contribution limit was never adjusted for inflation. The current cap of $2,000 does not provide much of an incentive to save as it used to. People are making more money and should be able to save more.

As we have witnessed in the last few months, the stock market is bound to constrict, and those who solely rely upon their stocks as a pension plan will feel the strain the most. That is why it is important to increase the IRA contribution limit to $5,000 and increase the amount contributed to 401(k) plans. H.R. 10 does this and more. It also takes into consideration those on the verge of retirement with catch-up contributions, which will help those people we refer to as the baby boomers, myself included.

We need to provide hard working Americans the option of saving more and relying less on Social Security when they retire. The Portman-Cardin bill allows this to occur.

The SPEAKER pro tempore (Mr. THORNBERRY). The Chair would announce the gentleman from Texas (Mr. SAM JOHNSON) has 4½ minutes remaining and the gentleman from New Jersey (Mr. ANDREWS) has 4½ minutes remaining.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I yield 2½ minutes to the gentleman from Virginia (Mr. GOODLATTE).

Mr. GOODLATTE. Mr. Speaker, I thank the gentleman from Texas for yielding me the time to speak on this important legislation that will modernize pension laws and provide regulatory relief to encourage more small businesses to offer retirement plans.

Mr. Speaker, while Social Security has been one of our greatest success stories, longer life expectancies, accompanied by a wave of baby boomers that will soon begin to reach retirement age, pose new and difficult challenges to our Social Security system. However, Social Security was never intended to be the sole source of income for retirees. Unfortunately, it has become the primary source of income rather than a safety net for many elderly individuals.

In order to alleviate this problem, I urge my colleagues to support H.R. 10, the Comprehensive Retirement Security and Pension Reform Act. This bill is important because it will encourage individual savings, such as IRAs as well as 401(k) plans and other employer-supported retirement plans. By knocking down barriers to savings, by raising limits and allowing workers to set more aside tax free for their retirement, retirees will have the option of saving more for their later years.

I am proud to support this bill because it contains a provision that permits older workers who are returning to the workforce to put even more aside for their pension. Under this bill, workers over 50 can contribute up to $5,000 in catch-up contributions for 401(k)-type plans.

H.R. 10 also responds to the needs of the increasingly mobile workforce we have in this country by allowing people to vest faster in their pension plans and by allowing portability so Americans can move their pension plans from job to job. Workers should be comfortable to change jobs without the worry of managing separate pension plans.

This bill will also modernize and streamline pension laws to encourage small business to offer pension plans. As we all know, employers are not required to offer these plans and many do not do so due to fiscal constraints. However, H.R. 10 repeals and modifies a wide range of unnecessary and outdated rules and regulations. Specifically, H.R. 10 provides incentives to small businesses to offer pension plans to their workers by lowering Pension Benefit Guaranty Corporation premiums for new small business defined benefit plans and eliminates the business user fee for new retirement plans established by small businesses.

I would like to thank the sponsors of this legislation, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN); along with the chairman of the subcommittee, the gentleman from Ohio (Mr. BOEHNER); and the gentleman from California (Mr. THOMAS), chairman of the Ways and Means Committee, for their efforts in supporting this bill.

I urge my colleagues to support this legislation.

Mr. ANDREWS. Mr. Speaker, I yield 2 minutes to the gentlewoman from New York (Mrs. MALONEY), one of the Members who represents the heart of the financial center of the world.

(Mrs. MALONEY of New York asked and was given permission to revise and extend her remarks.)

Mrs. MALONEY of New York. Mr. Speaker, I thank the gentleman for yielding me this time and for his leadership on this issue and in so many other areas.

Despite the current question about the direction of our economy, there is no doubt that our Nation has been transformed in recent years by the technology sector and the incredible American entrepreneurial spirit that has led small start-up companies to become the most successful businesses in history. I strongly endorse the Portman-Cardin legislation, in part because I believe it helps bring retirement savings programs up to speed with the new economy.

While much of our manufacturing sector has struggled over the last decade, the U.S. has created millions of good-paying new technology jobs, many in my district. This change in our workforce and the transformation of the American workplace has had a major impact on government, on financial services, and on savings. One of the major changes in worker attitudes is that technology workers expect to change jobs several times over their careers. Given the constant change in the technology sector, workers demand pension portability and retirement plans that will travel with them from job to job.

By passing this legislation, we are taking a critical step in allowing an important government saving stimulus to catch up with the reality of today's employment market. Importantly, this legislation also encourages saving by including substantial increases in the IRA limit to $5,000, and 401(k), 403(b) and 457 plan limits to $15,000.

While this legislation benefits younger workers over the long haul, it also provides important catch-up contributions for workers who are 50 or older, so that people who have been out of the workforce for a number of years can build their own nest eggs. Often these older workers are women who, without this provision, would be punished for having taken off time to raise their families. I strongly support this bill.

Mr. ANDREWS. Mr. Speaker, I yield myself the balance of my time and will simply close out for our side reiterating again my appreciation of the gentleman from Ohio (Mr. PORTMAN)

and the gentleman from Maryland (Mr. CARDIN) for their outstanding work on this legislation. I think we can see from the breadth of speakers that there is strong support across the spectrum for this bill.

One of the blessings of this life is that we can reasonably anticipate our children, perhaps some of us, will live to be 100 years old. One of the problems is that we have an income retirement system set up for 75 years' worth of life. I believe that the very wise steps that we are about to take today, and I hope through conference and final passage, will help alleviate that problem. We are very pleased to support this legislation.

Mr. Speaker, I yield back the balance of my time.

Mr. BOEHNER. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, let me salute the authors of this bill, the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN), who really have spent a great deal of time over the last 3 years building support and fine-tuning this legislation. They really have done very good work.

I also want to thank my colleagues on my committee, both the gentleman from Texas (Mr. SAM JOHNSON), the chairman of the Subcommittee on Employer-Employee Relations; and most notably the gentleman from California (Mr. GEORGE MILLER) and the gentleman from New Jersey (Mr. ANDREWS), who we have worked closely together with over the last 3 years as well.

As the gentleman from New Jersey (Mr. ANDREWS) just pointed out, this is a very good bill that will help American workers. We do believe it will help employers who do not currently offer pensions; give them the ability and the flexibility and encouragement to offer pensions to their employees. Our goal ought to be to see that all American workers have access to high-quality pension and profit sharing plans. This bill is a major step in that direction.

Let me also add to something the gentleman from New Jersey pointed out, and that is that the baby boomers are beginning to retire. Most do not have the kind of resources they need to get them through their retirement years. I think that the bill we are about to pass will, in fact, help baby boomers and younger workers begin to set aside more of their income so that when they get into their golden years, they will actually be able to have a happy and successful and productive retirement with the kind of financial security that they need in order to enjoy their retirement years.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. All time for the Committee on Education and the Workforce has expired.

The gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) are now each recognized for 30 minutes.

The Chair recognizes the gentleman from California (Mr. THOMAS).

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

I also would thank the Committee on Education and the Workforce for the cooperative effort on the product that we have in front of us, H.R. 10, but also just as importantly on the inter-committee relationship where committees share jurisdiction on a particular piece of legislation. The quality of the product will be seen, as was said earlier, on the basis of the number of speakers on both sides of the aisle supporting the document that is in front of us; but it would not have been possible without the willingness of the committees to work together in a bipartisan way.

In turning to the Committee on Ways and Means, I clearly want to give enormous credit to the co-sponsors of this bill, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN). It is extraordinarily easy to take an issue like this and produce a really good looking $200 billion bill. It is also relatively easy to produce an okay $100 billion bill. It took extraordinary effort to focus on what needed to be changed, overdue adjustments on amounts contributed, and produce this evenhanded excellent piece of work for $51.5 billion over 10 years.

Why do I say that? Because it is exceedingly easy to double the cost of this bill because we want to do as much as we can for as many people as we can. Of course, that is a positive motivating effort; but what I would hope most Members do is focus on the particulars in this bill. Frankly, some of the adjustments are overdue. If it were based upon an indexing on inflation from the time that these numbers were first created, at the time we were talking about creating super IRAs as the Bentsen-Roth–Pickle-Thomas bill did, $2,000 seemed like a major achievement. Today, in this bill, moving it to $5,000 is a significant advancement, but all of us would like to say we would like to do more.

I find it interesting that those who might oppose this bill want to increase the amount that we are going to spend and provide support for people slightly different than the fundamental underlying intention of this bill. The fundamental underlying intention of this bill is to assist people, without punishing them, in putting their own money away to assist in retirement. In that aspect, the Tax Code should reward people who do this; should create incentives and support for people who do that.

The question of assisting people who do not have the wherewithal to do it themselves is a question worthy of consideration, but not at the time that we are considering this particular bill; shaped the way it has been shaped, to make it easier for employers to offer, to allow those who want these various programs to put more of their own money away under the fundamental structure, adjusted to make it timely today. So I just want to underscore to my colleagues that there are a number of issues that we could debate; but they ought to be debated at a different time, under a different forum, if in fact we want to do something fundamentally different than what we are doing in this bill.

This bill is excellent as it has been crafted. The evidence of that is the list, which I am sure is growing, of the more than 100 supporters of H.R. 10, ranging alphabetically from the Airline Pilots Association, the American Bankers Association, all the way down to the United Brotherhood of Carpenters, the U.S. Chamber of Commerce, and virtually every labor and business and corporate group in between.

This bill is frankly overdue. It is time to move it. It is modest and appropriate. And from the chairman of the committee's point of view, it was a real pleasure to work on a measure that passes the committee 35 to six and will be discussed on the floor in the way we would prefer, all of us would prefer, more bills being discussed, and that is, we would like to do more. But this is an excellent work product, the authors are to be complimented, and we ought to support it.

Mr. Speaker, I reserve the balance of my time.

And, Mr. Speaker, I yield the balance of my time to the gentleman from Ohio (Mr. PORTMAN) and ask unanimous consent that he be allowed to control the balance of the time.

□ 1230

The SPEAKER pro tempore (Mr. THORNBERRY). Is there objection to the request of the gentleman from California?

There was no objection.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I thank the gentleman from California (Mr. THOMAS) for his kind comments; but I really want to thank the gentleman for the manner in which he has led our committee in consideration of the pension legislation. The gentleman from California has allowed us to work in a constructive environment so we could reach the point of having a bill that enjoys broad support on both sides of the aisle. That is indicative of the gentleman's leadership.

Mr. Speaker, I thank the gentleman from Ohio (Mr. PORTMAN) for his extraordinary work. The gentleman from Ohio has worked in a bipartisan way so we could reach this point of having a major, comprehensive pension reform bill that enjoys strong bipartisan support, and support not only in this body, but in the other body. We are going to pass this legislation with a strong vote, and we hope that it will pass the other body and be enacted into law this year.

Mr. Speaker, this bill provides individual tax relief. It will provide billions of dollars of tax relief to individual taxpayers by allowing them to

defer their tax liability by putting more of their own resources and their company's resources into retirement plans. That is very important for our country. It is very important for individuals. It is the building block, and we will hear a lot today about other problems that we have in our society. We need to reform the Social Security system. We agree on that. We need to get lower-wage workers to put more money away; and the government should maybe offer some incentives to do that. Congress needs to fix Social Security and offer retirement accounts for individuals.

Fixing our current retirement system is the first building block in accomplishing those results. I think that my colleagues agree that the legislation before us should pass, and should pass quickly. I am not going to go into great deal of detail. We have heard why this bill is important. It allows small businesses the opportunity to provide pension plans for their employees. That will help workers today who do not have an employer-sponsored plan. Lower-wage workers need their company to offer incentives so they can participate in a pension plan. It raises all of the limits on defined contribution and defined benefit plans.

Mr. Speaker, in raising the limits, we are trying to make up for what inflation has done in reducing the limits by allowing people to make up and be as secure as they used to be in putting money away for their own retirements.

The portability issue, many people change jobs regularly. This bill allows for the combination of those different plans to manage your own retirement. We also shorten the vesting rules which is a very important point.

The bottom line is in the last decade when we started talking about changing our pension laws, we knew that the savings ratios in the United States was too low. Yes, we have had some very impressive economic growth over the last decade. But in one staring example, we are not doing well, and that is the amount of money that we put away as a Nation in savings. Eight years ago, that was about 9 percent of our earnings. Today it is negative. We have actually spent more as a Nation than we earn. We need to do something about increasing savings. This legislation will move us in that direction. I am proud to be associated with this legislation. I know that it will enjoy broad support in this body.

Mr. Speaker, I reserve the balance of my time.

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this afternoon we are here on the floor of the House to talk about a very serious problem which faces our country, which is a retirement savings problem. It affects millions of Americans; but importantly, we are also talking about a bipartisan and very constructive solution which addresses the problem directly.

I want to thank Members on both sides of the aisle, many of whom have already spoken, for their hard work on this issue. The gentleman from Maryland (Mr. CARDIN) has been my partner on this effort for the last 3 or 4 or 5 years. We have been to the floor of the House on this very bill, and he has been instrumental in making this a better bill.

I thank the gentleman from California (Mr. THOMAS), the chairman of the Committee on Ways and Means, who is responsible for getting this bill to the floor. He has been a leader on this issue over the year. We all know about the Roth IRA. Here on the House side, we call it the Thomas IRA because he was the House author of that new IRA provision, and for years the gentleman from California has taken a leadership role on expanding retirement security through IRA contributions.

I thank the gentleman from Ohio (Mr. BOEHNER), the chairman of the Committee on Education and the Workforce who spoke earlier. His committee looked at the ERISA provisions and improved them through the process. They are an important component of expanding retirement savings. The gentleman went into that in some detail.

The gentleman from Texas (Mr. SAM JOHNSON), the subcommittee chairman who is also on the Committee on Ways and Means, and has taken a leadership role this year; and I thank the gentleman from New Jersey (Mr. ANDREWS), the ranking member, who has taken a courageous stand on some tough issues on the ERISA side, and taken the correct stand because he has focused on the goal here which is expanding the ability for everybody to save more for their retirement.

Mr. Speaker, this legislation does a number of things, but it can be probably summarized three ways. One, it lets everybody save more for retirement. We move IRA contributions from $2,000 to $5,000 a year. It is just adjusting it for inflation.

We also allow people in 401(k)s to go from $10,500 a year to $15,000 a year, really just restoring these limits to where they were in the 1980s. On 401(k)s, after adjusting for inflation, a taxpayer could save more in the 1980s than they can under our bill. We were constrained by some fiscal concerns that the gentleman from California (Mr. THOMAS) talked about. This is a dramatic increase in what our constituents, millions of Americans, will be able to save for their own retirement.

Second, we help to address the concerns that people have about an increasingly mobile workforce. We increase the vesting time from 5 years down to 3 years so people who are moving from job to job can get into a pension sooner.

We also allow portability between defined contribution plans. The gentleman from North Dakota (Mr. POMEROY) will talk about this, but his legislation is incorporated as part of this legislation to let people as they move from job to job keep their pension in one account. That is very important as more and more people are moving from job to job more and more quickly.

Very importantly, we want to make sure that companies that want to offer pensions can do so without a lot of red tape. This is very important. I would underscore what someone already talked about, it is really a small business problem. An American who works for a large business probably has a pension, and it is probably a pretty decent one. An American who works for a small business probably does not. There is a 1 in 4 chance. Twenty-five or fewer employees, there is only a 19 percent chance that there is a pension at all, even a simple plan.

This Congress passed the Portman-Cardin legislation a few years ago, a SEP plan, for the most basic 401(k). This is where the problem is. This is where most of the low- and moderate-income workers work. This is the focus of this legislation, to give those employers more encouragement and more incentive to offer plans to cover more people so everybody has more retirement security.

The gentleman from California (Mr. THOMAS) and others have talked about what Congress has done over the years. Over the last 20 or 30 years, Congress has done the wrong things in terms of pension coverage. That is why pension coverage is totally flat. That is why 70 million Americas, half the workforce, have nothing at all today. No pension at all. Social Security is not enough. It is hard to live on $900 a month. People need to have increased private savings; and that is what we need to do as a Congress, start making it easier, not more difficult.

Mr. Speaker, we have lowered limits. We have added to the rules and regulations. From 1982 to 1994, the number of traditional defined benefit plans, the good plans, decreased from 114,000 to 45,000. The gentleman from North Dakota (Mr. POMEROY) talked earlier today about how 40 percent fewer people are in these defined benefit plans today. The data is unbelievable.

We need to do more to ensure that low- and moderate-income workers have access to pension plans, and that is why this legislation is so important.

Mr. Speaker, it is a comprehensive approach. It is the most sweeping change in our pension laws since the 1970s. It is something that is going to help everybody, and it is something that every American worker has the ability to benefit from. Seventy-seven percent of the people who are involved in pensions today make less than $50,000 a year. You are going to hear some discussion today how we should target this more towards low- and moderate-income folks. These are the people that are going to get help under this legislation.

Finally, I thank all Members of Congress who have supported this effort over the year. We have over 300 cosponsors of the legislation as of today. We

have, on the outside, over 100 groups who have supported this, from the National Federation of Independent Businesses and other groups supporting small businesses, and the Chamber of Commerce, to the Building and Trades Construction Department of the AFL-CIO. It is a broad cross-section. It is a bipartisan product. It is the product of several years of working carefully together to ensure that we have the best possible way in order to help people save for their own retirement.

Mr. Speaker, the bill is good for our future, our families. It is good for small businesses. It is great for workers, and I hope that we can pass it with a resounding vote in the House of Representatives to give it the momentum that it needs to get through the Senate and end up on the President's desk to be signed into law, and help Americans have more peace of mind and security in their retirement years.

Mr. Speaker, I reserve the balance of my time.

Mr. CARDIN. Mr. Speaker, I yield 5 minutes to the gentlewoman from Florida (Mrs. THURMAN).

Mrs. THURMAN. Mr. Speaker, let me give accolades to the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN), because I do not believe that this bill would have come to the floor with such bipartisanship if they had not allowed Members to add in and talk about issues which were important.

I think this is a very good bill. I think we could do better with the Democratic substitute, which we will talk about later. But what I would like to discuss is how this bill will help working women.

Mr. Speaker, we talk about families, but women in this bill are going to be helped because the bill contains several provisions to help women, especially those who return to the workforce after their children are grown. Let me give you some ideas.

The catch-up provision would allow women who have taken time out to raise a family to make additional contributions of up to $5,000 per year. In addition, the provision that accelerates vesting of employer-matching contributions will disproportionately help women.

In IRA language, H.R. 10 accelerates the deductible contribution to $5,000 in 2002, and increases the contribution by $5,000 beginning in 2005 for people over the age of 50. This bill includes comparable language for 401(k) and other deferred compensation plans.

Mr. Speaker, in 1997, a GAO study found that women have significantly different work patterns than men. Women are much more likely to leave the workforce and three times as likely to work part-time to accommodate care-giving responsibilities. Women spend roughly 11½ years out of the workforce, caring for children and their families. They also are three times as likely to accommodate caregiving responsibilities, this often during their most lucrative earning years when they could be building their retirement portfolio.

This bill addresses another problem associated with women moving in and out of the workforce: vesting. Women over 25 tend to stay in jobs an average of 4.7 years, often not long enough to obtain the right to the employee's share of the contribution. H.R. 10 makes it easier for workers to keep the employee's share of pension contributions. The result, working women will have a larger retirement nest egg.

When they are working, women's savings priorities are often focused on their children's education and not retirement. Once the children are grown, women need this extra assistance to take care of their own needs.

In addition, women continue to earn less, an average of 26 percent less, than men. Based on this alone, it stands to reason that women would have much less to invest for their retirement.

□ 1245

When they do return to the workforce, they deserve a chance to save more for retirement.

We all know that Social Security is particularly important to women. For most elderly unmarried women, 51 percent of their income is from Social Security. For 25 percent of unmarried women, Social Security is their only source of income. Anything that Congress can do to encourage women to save more for retirement reduces their dependency on Social Security.

Finally, women tend to move to other jobs more frequently than men. The portability provisions of H.R. 10 will let them concentrate their separate retirement accounts for a better rate of return.

As I said, we are going to see a Democratic substitute. I just want to mention a few things in there that I think are critically important to women:

The retirement security account tax credit would be up to a 50 percent refundable credit for low- and middle-income workers who contribute up to $2,000 annually to an employer-sponsored plan or a deductible individual retirement account, better known as an IRA.

The tax credit for small employers' pension plan start-up costs. Small employers, less than 100 employees, would be eligible for a tax credit in an amount equal to 50 percent for the costs that would be incurred as a result of establishing these new qualified pension plans.

Last would be the small employers would be eligible for a tax credit equal to 50 percent of certain employer contributions made to a pension plan on behalf of its non-highly compensated employees.

Mr. Speaker, all these provisions in H.R. 10 and if we include the Democratic substitute I think are a historic opportunity for this House.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota (Mr. RAMSTAD), my colleague on the Committee on Ways and Means, who has been the leader on including very important provisions in this bill that help ESOP companies.

Mr. RAMSTAD. Mr. Speaker, I thank my colleague for yielding me this time. I rise in strong support of this landmark bipartisan package of pension reforms that will vastly improve the retirement security of American workers. I want to thank the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), two colleagues and friends on the Committee on Ways and Means, because without their tireless efforts and their leadership on this important pension reform package, we would not be here today.

The need, Mr. Speaker, is clear. Americans are living longer but often they lack the savings needed for a secure retirement. The typical 45-year-old has only 40 percent of the savings needed to avoid a decline in standard of living during retirement. Half of all private sector workers, in fact, still have no pension coverage at all. Worse yet, only 20 percent of job-creating small businesses even offer a pension plan because of the expense and the difficulty of administering such plans.

This legislation, H.R. 10, will help reverse this dire situation. I want to highlight, Mr. Speaker, one of the over 50 provisions in this package which will give American workers a meaningful opportunity to save for their retirement. The provision I am referring to would preserve employee stock ownership plans, or as they are called, ESOPs, for the workers of S corporations, many of which are small businesses. ESOPs give workers an opportunity to own a piece of their business, a piece of the rock, which boosts productivity, morale and retirement savings. This proposal is based on a bill that I introduced last year which was cosponsored by 30 members of the Committee on Ways and Means. It would remove a cloud that was left by the previous administration by preserving this highly effective retirement savings program for broad-based S corporation ESOPs.

Mr. Speaker, H.R. 10 is a win-win for America. That is why it is supported by such a diverse group of small and large businesses, labor organizations and members of both parties. Most importantly, it is strongly supported by the working people of America. I urge my colleagues to pass this important legislation for a secure future for America's workers.

Mr. CARDIN. Mr. Speaker, I am pleased to yield 4 minutes to the gentleman from North Dakota (Mr. POMEROY), my colleague on the Committee on Ways and Means, part of whose bill is included in ours dealing with the portability and vesting.

Mr. POMEROY. Mr. Speaker, I thank the gentleman for yielding me this time and specifically commend the gentleman from Maryland (Mr. CARDIN)

and the gentleman from Ohio (Mr. PORTMAN). Their work has been exemplary bipartisanship in advancing a substantive response on one of the most troubling issues facing the country and, that is, the insufficiency of retirement savings. As in every instance when there is exemplary congressional performance, there are some outstanding staff performances backing it up. I want to cite particularly David Koshgarian backing up the gentleman from Maryland (Mr. CARDIN) and Barbara Pate backing up the gentleman from Ohio (Mr. PORTMAN). Their work has contributed immeasurably to this legislation.

I think there are three things about this bill we should cite in particular. First of all, it makes a direct effort at revitalizing defined benefit pensions in the marketplace today. As the gentleman from Ohio (Mr. PORTMAN) noted, the number of workers covered by the reliable, traditional pension program has fallen 40 percent during the 20-year period between 1975 and 1995; and I believe it has fallen, no doubt, significantly further even today. By raising the limits, you bring the employers, you bring the decisionmakers within a company back into the qualified plan and, I believe, enhance the prospects that the worker on the line, on the shop floor keeps the pension in its traditional form.

Secondly, the bill advances portability by incorporating the retirement account portability legislation I have introduced in the last three Congresses. We have a hodgepodge in the Tax Code of retirement savings provisions, different ones for for-profit, different ones for nonprofit, different ones for State and local government.

You can have, for example, a worker through their career, let us say they come out of college and go into nursing for a nonprofit hospital. They would have a 403(b) defined contribution plan. Let us say after that they go to State government and work in the health department. They would have a 457 plan. Ultimately they end up in a private for-profit clinic where they would have a 401(k) plan. Each of these is incompatible with the other under existing law and you could not combine your accounts. The result is people have their accounts distributed. We know that in over half the cases where they take the lump sum distribution, they do not reinvest them in retirement savings.

This is a case where the Tax Code, rather than trying to incent Americans to save, actually discourages savings. It is 100 percent the wrong way to go. That is why the portability feature is so important. Finally, vesting. We know that on average workers are staying with an employer in the workforce about 4½ years. It takes 5 years before the employer's share is vested in a retirement savings account where the employer has that provision. Under Federal law, they are allowed to have vesting be a 5-year period. This brings that down to 3 years, recognizing that there is very substantial mobility in the workforce today and that after 3 years in the workforce for one employer, the employer's share should accrue at that point to the employee. They will be vested. They will have that to take with them as they move on in the workforce.

All in all, the bill will enhance retirement savings efforts of American workers. It is extremely important. Again I commend the sponsors and ask for broad bipartisan support on the House floor today.

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Arizona (Mr. HAYWORTH), my friend and colleague on the Committee on Ways and Means, who has been one of the leaders on this, focusing on the importance of this bill to savings and to our economy.

Mr. HAYWORTH. Mr. Speaker, I thank my colleague from Ohio and my colleague from Maryland for once again bringing to the floor of this House landmark legislation. We have been involved and engaged in cheerful persistence, for this marks the sixth time we have brought this legislation to the floor. And each time, Mr. Speaker, we reaffirm the essential common sense of the measure we prepare to pass yet again.

Mr. Speaker, I would ask you to think back to your own experience in terms of saving or preparing for your retirement. Not once on a financial form in planning for my family's future, for my retirement, have I ever been asked to list a political registration. The banks, financial institutions, employers, do not ask whether you are Republican, Democrat, Libertarian, vegetarian, they simply ask you to think about your future.

Now, to return to the political parlance for a second, because I think since this is the people's House and we stand at the bar of public opinion every 2 years, we know in political parlance that we regard a landslide election as procuring 60 percent of the popular vote. Mr. Speaker, I regret to inform this House that the American people are currently on the wrong side of a landslide. Only 40 percent of Americans as baby boomers are taking advantage of retirement savings to avoid a decline in their standard of living once they decide to retire. In other words, 60 percent of the people are not taking advantage of these provisions. With this legislation today, we are asking Americans to choose to save. That is what we do with this legislation.

Mr. Speaker, what we are doing is saying to the American people, here is an enhanced choice for you. We ask you to choose to save. Portability of the accounts; raising the limits, especially for those who will encounter retirement decisions first, for those age 50 and above, no phase-in, immediately raising that limit to $5,000; phasing that in for traditional and Roth IRAs, increasing that through the years; and indexing this for inflation, so that the inflation monster cannot touch retirement savings, taking those realities into account.

And as mentioned by my colleague from North Dakota, the notion of portability. As we have many different freedoms, many different options, as we see people make changes in jobs and in our mobile society and in our fast-changing economy, to have the ability to move this money from job to job and keep it in the same account, portability is key, too.

Choose to save. Vote yes on this legislation.

Mr. CARDIN. Mr. Speaker, I am pleased to yield 6 minutes to the gentleman from Massachusetts (Mr. NEAL), my colleague on the Committee on Ways and Means who has been very active on the pension issues.

Mr. NEAL of Massachusetts. Mr. Speaker, I cannot agree more with the authors of this legislation that our common goal here today is to provide meaningful retirement benefits for all working men and women of this country. Expanded pension coverage and an increased rate of participation in employment-based plans are more important now than ever, given our current savings rate and the imminent retirement of the baby boom generation.

Our current system is built upon the assumption that the minimal level of income provided under Social Security would indeed in the end be supplemented by other sources of income such as an employer-based pension plan as well as personal savings. Thus, it is very important to make sure that the pension reform legislation today includes incentives for all Americans to increase retirement savings.

There are many provisions in this bill that are desirable by increasing benefits and contribution limits for those currently saving the maximum in their current pension plans or for those currently saving in individual retirement accounts. I would remind both sides here today that, with the gentleman from California (Mr. THOMAS), we were responsible for the Roth IRA here in the House of Representatives. But my primary concern with this legislation today is that it does not provide the same opportunity for all Americans to save who are not currently in a retirement system. It could be fixed through the amendment process.

H.R. 10 contains many provisions designed to enhance and expand the portability of pension benefits. The current level of mobility among workers requires a modified approach to our retirement system. The lack of portability can result in workers being shortchanged in pension benefits merely because they change jobs. This bill responds to the need by giving workers greater flexibility to transfer their pension benefits between employer plans or to an IRA. These provisions have been in many bills over the last two sessions of the Congress. They

were strongly backed by myself and members of the Clinton administration.

There are also provisions in this legislation that would enhance benefits for women and we acknowledge that. However, while this bill contains many provisions such as those I have mentioned that are designed to achieve worthy goals, on the whole, the bill is not balanced. Under the bill, high-income workers would receive very generous benefits with no corresponding meaningful direct incentives to expand and increase retirement savings for low- and moderate-income workers.

□ 1300

One analysis of this bill showed that workers earning less than $41,000, the bottom 60 percent of the American workforce, would receive, listen to this, 4.3 percent of the benefits; and the top 5 percent of American workers with incomes of more than $134,000 would receive, and listen to this number, 42.4 percent of the benefits.

I do not oppose increasing retirement savings for workers at the top of the income scale, but I am concerned that the workers who are most in need of our assistance today in saving for retirement are being excluded from our efforts here.

In its current form, the legislation would fail to provide a secure and adequate retirement for all Americans. The retirement savings account proposal that will be offered later today as an addition to this bill would provide the balance that is necessary for a successful accomplishment of our shared goal, which is a secure retirement for all workers.

The RSA proposal builds on our current system by providing an incentive for low- and middle-income workers to participate in an employment-based retirement system. Under the proposal, the worker would receive an annual credit of up to $1,000 for contributions made to an individual retirement account or an employer-based pension plan.

In addition, this bill must do more to provide direct incentives for small businesses to establish and administer pension plans.

In a recent Small Employer Retirement survey conducted by the Employee Benefit Research Institute, 65 percent of small employers stated that tax credits for starting a pension plan would be a major contributing factor for them to establish a pension plan for their employees. This factor was second only to an increase in business profits.

With this compelling evidence, I would like to encourage my colleagues here today to seriously consider another amendment that will be offered later on as well that would include two tax credits as an incentive for small employers to offer pension plans to their employees and to make contributions to those plans on behalf of their employees.

The gentleman from Ohio (Mr. PORTMAN) has been more than kind and more than receptive to that notion. Why we cannot do it today, I do not understand it. This bill could pass this House today 435 to 0 if those incentives were simply offered, which I have been assured they are going to be offered when the Senate brings back its version. I hope at that time we will have an opportunity for this bill to pass almost or nearly unanimously.

I would be remiss if I did not mention the additional controversies with provisions underlying this bill. Last year, the Department of Treasury and outside groups argued strongly that some of the provisions of this bill could actually lead to a shrinking of pension coverage for low- and moderate-income workers. They cited most often changes in top heavy rules and nondiscrimination rules which are designed to protect non-key employees by making sure that they get a minimum amount of the benefit from an employer's pension plan.

Now I know the authors of this bill believe the opposite; but a blend of my tax credit proposal, along with the efforts that they have made here today, could secure truly one of the great feats of this Congress; and I expect when it comes back from the Senate that provision will be included and we will have an opportunity, as I indicated earlier, to nearly unanimously pass this very important legislation with some technical corrections.

Mr. PORTMAN. Mr. Speaker, I yield myself 30 seconds just for a quick response to my friend and colleague, the gentleman from Massachusetts (Mr. NEAL). He, in a good faith effort, is trying to expand the opportunities for low- and middle-income workers, and I commend him for that. I also appreciate the kind words he says about the underlying bill, but I cannot let one thing stand and I am disappointed that he has raised it and I just want to get this out because we are going to hear a lot more about it in the Democrat substitute, it sounds like. He uses an outside group that opposes not only this bill but all tax relief that we have tried to do, that people that are making $41,000 or less are only going to get 4.3 percent of the benefits. There is no way, no way, that he could know that; and I am just disappointed that we are getting into that because this is going to help all Americans, including those making less than $41,000.

Mr. Speaker, I yield 3 minutes to my colleague, the gentleman from Pennsylvania (Mr. ENGLISH); and I appreciate his help on this legislation, particularly on some provisions that help with regard to labor union members.

Mr. ENGLISH. Mr. Speaker, I thank the gentleman from Ohio (Mr. PORTMAN) for yielding me this time.

Mr. Speaker, in the last 40 years, Americans have gone from saving 6.2 percent of their disposable personal income to saving less than .1 percent. In fact, Americans lag behind Canada, Germany, and Japan by as much as 4 percent when it comes to our national savings rate.

The rate of decline in national savings is greater in the United States than in most of the industrialized world. Today, as a result, we import capital into our country to finance our improving standard of living. In my view, addressing this problem is as important to our national economic future as addressing our reliance on foreign oil. We need to end our dependence on imported capital, and this landmark legislation will address that problem by allowing families to increase their retirement savings.

H.R. 10 will increase the national savings rate, increase our national prosperity, and provide for a stable retirement for millions of working families through better access to pension plans and expanded IRAs. The Comprehensive Retirement Security and Pension Reform Act provides individuals with a variety of retirement savings incentives, such as lifting limits to IRA and 401(k) plans. These limits are currently stuck at 1980 levels. Baby boomers who are discovering that their retirement is severely underfunded because they stopped working to raise a family can catch up under this plan through higher contribution limits.

In addition, I am particularly pleased to see that this bill addresses the unintended consequences of section 415. Currently, section 415 seriously hampers the ability of America's workers, not the wealthy but rank and file workers, to collect their full pension amounts which they have earned. Reducing the pensions of workers who retire before normal Social Security retirement age has caused enormous financial hardship for many workers in places like western Pennsylvania. Thousands of retiring workers have carefully saved and planned for their retirement, and they are relying on their private pension funds. This legislation will allow them to have the full benefit of the pension that they themselves worked so hard to build.

I urge my colleagues to support this landmark legislation.

Mr. CARDIN. Mr. Speaker, I yield myself 30 seconds to clarify a point on the Democratic substitute. I am pleased that it adds to the underlying bill. It accepts the fact that the underlying bill is very important and tries to improve upon it. I just want to make it clear that nothing in the Democratic substitute would distract or take away from the underlying Portman-Cardin legislation.

Mr. Speaker, I yield 3 minutes to the gentleman from Wisconsin (Mr. KLECZKA), a distinguished member of the Committee on Ways and Means and one of those individuals who has also been involved in helping us formulate the underlying legislation.

Mr. KLECZKA. Mr. Speaker, over the next 40 years, the percentage of the U.S. population over 65 will almost double. Unfortunately, at a time when more and more people should be putting money away for their retirement, personal savings are at historically

low levels. Twenty years ago, Americans saved at a rate of about 10 percent, but by last year that rate had plummeted to one-tenth of 1 percent. Americans must become more proactive in saving and planning for their retirement, and the bill before us today provides the incentives to do so.

Retirement security has often been described as being like a three-legged stool because people depend on three means of savings for their retirement: one is Social Security; one is personal savings; and another one, a very important one, is employer-provided pensions.

H.R. 10 makes great strides in strengthening the footing for the last two of those legs.

One of the most important adjustments this bill makes will be to increase the current limit on annual individual retirement account contributions from $2,000 to $5,000 per year. IRAs are one of the principal instruments used for savings, and this increase will make them a much more valuable tool in retirement planning.

It has been almost 20 years since the retirement cap was raised, so an adjustment today is long overdue. To make sure that the benefits of IRAs continue to keep pace with the times, this bill will adjust the cap annually to reflect the effects of inflation.

Regarding employer-provided pensions, the bill allows for faster investing so that workers will become eligible for employer-matching contributions to their pension plans in 3 years rather than the current 5. It also breaks down the barriers between private sector 401(k) plans, nonprofit employer 403(b) plans, and local government 457 plans, allowing workers to roll over funds in their pension plans when they move from one job to another.

The bill includes catch-up provisions that allow workers 50 years of age and older to save even more for their retirement needs by allowing them to increase by $5,000 the limits on all employee pension contributions. H.R. 10 also streamlines rules and regulations to make it easier for businesses, particularly small businesses, to offer pension plans by eliminating the user fees imposed by the IRS on businesses when they set up a pension plan.

It would also ensure that these higher contributions to the pension plans may be deducted by employers.

Mr. Speaker, this legislation will help provide the peace of mind that Americans deserve in their retirement years. I urge my colleagues to support this measure.

In closing, let me applaud the efforts of the gentleman from Maryland (Mr. CARDIN) and also the gentleman from Ohio (Mr. PORTMAN) and thank them for including the changes in section 415, which increases the pension benefits for working men and women. Again, I urge my colleagues to support this bill.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. RYAN), my friend on the Committee on Ways and Means, who has been a leader on the 415 provisions in this bill and also in focusing on the savings incentives in the legislation.

Mr. RYAN of Wisconsin. Mr. Speaker, I thank the gentleman from Ohio (Mr. PORTMAN) for yielding me this time.

Mr. Speaker, I would like to right now just thank the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN) for putting this excellent piece of legislation together. Specifically, I want to thank them for including that section 415 provision. This affects thousands of building trades workers in southern Wisconsin who because of this law are going to have a better pension system that they deserve, that they paid into. So I want to thank them for including this very valuable provision.

There is another important part of this, and that is times have changed. When our pension laws were written a generation ago, it was a different kind of an economy. People had the same job for 30 or 40 years of their working lives. They did not move from jobs, but that is not the case today. People change jobs all of the time, but the problem is our economy and our pension laws have not caught up with those times.

This important piece of legislation catches up with the times and allows pensions to become portable so as people change jobs they can bring their pensions with them without an adverse consequence on the Tax Code; and most importantly, this thing does great things in two great ways for our society. It allows people to save for their retirement, improve the savings rate, so they can maintain the kind of standard of living they enjoyed during their working years in their retirement years. Again, by saving, by putting more money aside, we are putting more money into the economy. We are improving the liquidity of capital for small businesses, for job creation, for entrepreneurial activity.

So when we increase our savings rate, not only do we help the actual person who is saving in their retirement, we are helping the ability to create jobs in this country. We are sparking economic growth in job creation. So this bill not only fixes many problems that are facing building tradesmen, people who are just nearing retirement, women in the labor force, it is updating our pension laws so they respond to the types of jobs we have in today's economy. It is improving people's standard of living, and it is helping grow the economy and produce jobs in the economy.

This bill is clearly a win/win for America. That is why it received such bipartisan support. I urge my colleagues to vote yes on this bill.

Mr. CARDIN. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. CROWLEY).

Mr. CROWLEY. Mr. Speaker, I rise in strong support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act, introduced by the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN). I want to thank both gentlemen for all their hard work in getting this bill to the floor today.

This legislation provides portability between the employer-sponsored plans, a key component of any provision security reform, as we are in an era where Americans are no longer expected to work for one company until retirement but, rather, many employers and many corporations over a period of a lifetime.

□ 1315

This bill also provides incentives to retirement savings by increasing the IRA contribution limit from the present $2,000 to $5,000, and expanding eligibility for deductible IRAs.

Most importantly in this ever-changing workforce, this bill contains vital catch-up provisions to encourage both older workers and women workers to increase their retirement savings to make up for missed contribution opportunities. This is key for women, as many of them have previously left the workforce for the time being, quite often to raise a family, and now will no longer be blocked from providing for herself or her family's retirement security.

This is solid legislation that will help all Americans who plan ahead for their retirement, and I urge all of my colleagues to support this critical, critical piece of legislation.

Once again, I wanted to thank both gentlemen for getting this bill to the floor today.

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to the gentlewoman from Washington (Ms. DUNN) a member of the Committee on Ways and Committee, who has taken a leadership role in assuring there is a catch-up contribution, both on the pension side and on the IRA contributions.

Ms. DUNN. Mr. Speaker, I rise today in support of H.R. 10. I think this is a fabulous bill, and I commend the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN) for the great work they did in bringing us together and consulting with us and allowing us to make our opinions heard.

I think it does some very, very fine things, but I am particularly enthusiastic about the very explicit focus that this bill has taken on the sometimes unique needs of the American working woman.

This bill will enable women to devote more money to retirement savings, accumulate assets more quickly, and it will enable them to keep their benefits in one retirement plan when they change jobs. So it is going to let women have a much better sense of peace of mind as they move toward retirement, and I think it will make them feel also that they are more fully participating in planning for that time, to make it a very happy time and a secure time.

As we have heard from many previous speakers, women choose to leave the workforce for many reasons, including to raise a family or to take care of their loved ones. I left the workforce for 8 years to raise my little children. I was a lucky person. When I came back in, I would have appreciated the opportunity that this bill provides to catch up with the losses sustained during those years to my IRA.

Women are often unable to take full advantage, for that reason, of employer-sponsored pension plans as well. H.R. 10 helps women make catch-up contributions to their pension plans.

Right now, for example, you are able to contribute $2,000 each year to an IRA. This bill says that if you are over 50 years old, a man or a woman, but specifically interesting more, I think, to women, you can begin to contribute up to $5,000. That is $3,000 additional dollars each year you can put away in your IRA. Also when it comes to the employee pension plan, a 401(k) or a thrift savings plan, women like me can begin, as soon as this bill is signed, to contribute $5,000 more every single year into their pension plan.

Current law also makes it very difficult to consolidate retirement funds from different plans into one plan. Removing these restrictions is very important, considering the fluid employment situation in America today. This is especially true for working women who change jobs more frequently than men do. The portability provisions in H.R. 10 will ensure that retirement benefits follow the employee as the employee changes jobs.

H.R. 10, Mr. Speaker, is a very well-crafted bill. It has strong bipartisan support, and I am among the many who urge my colleagues to support this bill.

Mr. CARDIN. Mr. Speaker, I am pleased to yield 2 minutes to the gentlewoman from California (Ms. ESHOO).

Ms. ESHOO. Mr. Speaker, thanks and congratulations, first, to the two major sponsors of this bill, the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN). I think the quality of this bill and the amount of support that it enjoys today really speaks to the eloquence of their work.

We come to the floor every day to cast votes. Sometimes we hold our noses over what we have to vote for; other times we say, if I had designed this, it would be so much better.

This is a very, very good bill, it is a sound bill, and I cannot help but think of FDR's quote that ''True individual freedom cannot exist without economic security and independence.'' I think that those are the two things that this bill provides for millions of workers in our country by making retirement security more available to them.

Our savings rate in our country is at an historically low level, and this is a critically important piece of legislation to advance people's being able to save and encouraging them to.

It also addresses the needs of an increasingly mobile workforce. The average worker today will hold nine jobs by the age of 32, and workers typically do not stay in any job for more than 5 years until they are 40 years old. So portability and being able to accumulate benefits and then move it from job to job, I think is essential.

So, Mr. Speaker, I am proud to support this legislation. I think it is not only good for my constituents, I think it is good for all of the people of this country; and I think the Congress will take a very important step by establishing better pension funds for employees, helping employers to do that, and by the IRA contribution being raised.

So I ask my colleagues to join me and many others in the House on a bipartisan basis to support this bill, pass it, and help it become law. It is going to make our country better and stronger.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. WELLER), a member of the Committee on Ways and Means, who has played a leadership role on the catch-up contributions and the 415 provisions.

(Mr. WELLER asked and was given permission to revise and extend his remarks.)

Mr. WELLER. Mr. Speaker, this is a great day. We are doing something, and the question to ask as we work on this legislation is, is it not about time?

If you think about it, I think this is the third or the fourth time we have passed this legislation out of the House, and we finally have a President now that will sign it into law. It has been a bipartisan effort over the last several years. My friends, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) have done a great job working with the committee and showing leadership in assembling a great package that will help millions of middle-class Americans and families save for their retirement.

I think it is a tremendous achievement, recognizing that when individual retirement accounts were created way back in the early 1980s, that the limit was set at $2,000. If you factor in inflation, it should be well over $5,000 today. We accomplish that goal by phasing in an increase in the contribution level for IRAs to $5,000.

There are two other provisions that I want to highlight, and I really want to commend the leadership on our committee for including these two provisions in this package. Those are provisions that deal with catch-up provisions, which will help working moms and empty-nesters, as well as the 415 provisions, which will help 10 million building tradesmen and women across America.

Let me point out, the catch-up provisions, why are they important? I always use my sister Pat as an example. She is now teaching school, but when her children, when she and Rich decided to have kids, she took some time out of the workforce to be home with the children; and then once the kids were in school, she went back into the workforce. During that period of time, my sister Pat and my brother-in-law Rich, they were not able to make contributions to their IRAs because their income was essentially cut in half and their expenses were up because they had children.

Under this legislation, once they turn 50 they can make an extra contribution, which they are, they can make an extra contribution to their 401(k) of $5,000, and we immediately allow, once this legislation is signed into law, someone age 50 or older to contribute up to $5,000, recognizing the $5,000 increase is phased in over 3 years. So if you are age 50, you benefit immediately, allowing you the opportunity to make up.

The 415 provision, people like Larry Correl, a laborer from La Salle County, will now see his full pension as a result of this legislation.

Mr. CARDIN. Mr. Speaker, I am now pleased to yield 1½ minutes to the gentleman from Texas (Mr. BENTSEN), the sponsor of many of the provisions in the bill that deal with small business.

Mr. BENTSEN. Mr. Speaker, I thank the gentleman for yielding me time.

I rise in strong support of the bill, H.R. 10. I want to commend the gentleman from Ohio and the gentleman from Maryland for bringing up this bill.

This bill may not be the most politically salable of all the tax bills we are considering this year, but it is, in my opinion, probably the most economically correct bill, because it deals more with savings than consumption. I think this bill arguably will have the broadest long-term impact on our general economy by increasing the savings rates, as well as putting more money into investment in the economy.

A lot has been said about the underlying bill. I want to thank both the gentlemen for including provisions from H.R. 738, which the gentleman from Missouri (Mr. BLUNT) and I introduced, that would ease the restrictions on small employers, employers of 100 or fewer employees, who, statistics show, are the least likely to have a pension program or retirement program. This bill would go a long way toward making that better.

I also want to commend my colleagues for the amendment that will be offered by the gentleman from Massachusetts (Mr. NEAL) and others that would provide a tax credit for small employers who want to set up a pension program for their employees. I would encourage the House to adopt that, and to adopt the idea of providing credits to low-income individuals so that they can save as well.

We should not leave out any sector in society that we want to save. As the gentleman from Illinois who just spoke said, we do have situations where working families do not have the disposable income to set aside in these

programs. If we pass the Neal amendment, we can make this good bill an even better bill.

Mr. CARDIN. Mr. Speaker, I am pleased to yield 1½ minutes to the gentleman from Texas (Mr. GREEN).

Mr. GREEN of Texas. Mr. Speaker, I am glad to follow my colleague from Texas. With a Texan in the chair, I hope we are not overdoing it today on this bill.

Mr. Speaker, I rise in support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act, and congratulate our sponsors for their persistence in this effort, not only this year, but last year.

Mr. Speaker, the private pension plans are crucial to the retirement security of millions of Americans, and yet only half of our private sector employees have any kind of pension, and only 20 percent of the small businesses offer their employees retirement benefits.

Currently, Americans save only 4 percent of our income, the smallest amount among industrial nations. If this trend continues, young Americans will be ill-prepared for their retirement years. That is why it is important that our current system not only does not reward enough to encourage savings; it is in dire need of reform.

The legislation we are considering today makes a number of important changes and encourages individuals to save for their retirement. We all know that saving $2,000 a year for your IRA is not enough. It raises it to $5,000. It raises the 401(k) limit to $15,000.

It also addresses the needs of older workers, allowing people 50 years or older to make that annual catch-up, $5,000, for years that they could not do it. It helps, particularly the provision for women who have left the workforce and then come back, to be able to catch up on their retirement effort. There are a number of important components.

Of course, the bill is not perfect and there are things we could do, particularly for lower-wage workers, and I know there is an amendment, the Rangel-Neal substitute, that will add that. I encourage folks not only to vote for that substitute, but ultimately, the bill, Mr. Speaker.

Mr. PORTMAN. Mr. Speaker, I yield 1 minute to the gentlewoman from Maryland (Mrs. MORELLA), for the purpose of entering into a colloquy.

Mrs. MORELLA. Mr. Speaker, I thank the gentleman for yielding. I am proud to be a cosponsor of this bill.

I just wanted to make sure that the revenue estimate of this bill assumes that the Federal Employees Thrift Savings Plan will permit catch-up contributions. By that that I mean, any revenue loss associated with such contributions would be accounted for and is in the cost of this bill.

Mr. PORTMAN. Mr. Speaker, will the gentlewoman yield?

Mrs. MORELLA. I yield to the gentleman from Ohio.

Mr. PORTMAN. Mr. Speaker, first I want to thank the gentlewoman from Maryland (Mrs. MORELLA) for her help in putting this bill together and being sure that Federal employees are covered.

Yes, the answer is, the catch-up contributions in this bill lists types of plans to which the provision applies. Included on that list is a trust described in the code under section 401(a). Under an existing section of that code, section 7701(j), the Thrift Savings Plan fund is created as a trust described in that code section 401(a). Therefore, the catch-up contributions do apply to the Thrift Savings Plan in the same manner as it would apply to a 401(k) plan.

Mrs. MORELLA. Mr. Speaker, reclaiming my time, I thank the gentleman from Ohio for the assurance that he has just given us.

I also want to congratulate him and his coauthor, the gentleman from Maryland (Mr. CARDIN), for putting this great bill together.

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Mr. PORTMAN. Mr. Speaker, I yield 45 seconds to the gentlewoman from New York (Mrs. KELLY).

Mrs. KELLY. Mr. Speaker, I rise for the purpose of entering into a colloquy with my friend, the gentleman from Ohio.

I am grateful for the hard work my colleagues on the Committee on Ways and Means have done in putting together a strong package of tax relief to ensure the retirement security for working Americans. Unfortunately, I have been contacted by my constituents who are concerned about potential interpretations of sections 405, 501, and 801 of H.R. 10. They fear they could negatively affect pension benefits.

I would like to get assurances that these sections I have mentioned are not intended to harm participants. It is my understanding that these sections are not intended to reduce pension benefits, eliminate early retirement benefits, retirement-type subsidies, or optional forms of benefits, or discourage companies from increasing pension benefits.

Mr. PORTMAN. Mr. Speaker, will the gentlewoman yield?

Mrs. KELLY. I yield to the gentleman from Ohio.

Mr. PORTMAN. I would say to my friend, the gentlewoman from New York, Mr. Speaker, she is absolutely right. Her understanding is correct.

In fact, just the opposite of the concerns she expressed are intended. We have, in fact, made several adjustments in the language to ensure that these provisions will achieve their intended effect, which is, of course, to expand pension coverage and protections for American workers.

I thank the gentlewoman for her help on this bill and for helping us to refine it.

Mr. CARDIN. Mr. Speaker, I yield myself the balance of our time.

The SPEAKER pro tempore (Mr. THORNBERRY). The gentleman from Maryland (Mr. CARDIN) is recognized for 1½ minutes.

Mr. CARDIN. Mr. Speaker, as the general debate has indicated, there is strong support for this legislation. I thank my colleagues who have come to the floor to express their views on this legislation. It is clear that it will help American workers, it will help people save for their own retirement.

Let me just point out the Congressional Research Service on November 6 pointed out that if employers offer plans, workers at all income levels participate and benefit. Eighty-five percent of the workers earning less than $40,000 will participate in the plans, and 68 percent of the workers earning less than $20,000.

This bill will make it easier for companies to provide pension plans, and more workers at all levels will participate.

I again want to thank the gentleman from Ohio (Mr. PORTMAN) for his work. On my side of the aisle, I want to thank the gentleman from New Jersey (Mr. ANDREWS), the gentleman from North Dakota (Mr. POMEROY), and the gentleman from Texas (Mr. BENTSEN) for their contributions to the legislation that is before us.

Lastly, let me thank my staff person, David Koshgarian, for all the work that he put in.

Mr. Speaker, I yield back the balance of my time.

Mr. PORTMAN. Mr. Speaker, I yield the balance of my time to the gentleman from Illinois (Mr. CRANE), senior Republican on the committee, who was very helpful in putting on this legislation.

The SPEAKER pro tempore. The gentleman from Illinois (Mr. CRANE) is recognized for 1¾ minutes.

Mr. CRANE. Mr. Speaker, I thank my friend for yielding time to me, and I rise in support of the Comprehensive Retirement Security and Pension Reform Act of 2001.

In a voluntary, employer-sponsored pension system, businesses must be given incentives to start, maintain, and expand their plans. H.R. 10 dramatically increases contribution and benefit levels available under these private plans. However, to take advantage of these increased levels, key decisionmakers will have to establish a qualified retirement plan or make benefit improvements in their existing plan.

Likewise, we should not create disincentives that might bar an employer from establishing a pension plan. Toward this end, the Committee on Ways and Means in this legislation has called for further study into the issue of whether our tax laws create disincentives for pension plan funding by employers who are experiencing economic hardships.

Specifically, H.R. 10 would require the General Accounting Office to consider whether pension funding would be enhanced if section 172(f) of the Internal Revenue Code were modified to list payments to defined benefit plans as an

item for which 10-year specified liability loss carrybacks may be available.

The committee's call for this study arose out of a concern that restrictions under section 172(f) imposed by Congress in 1998 may have inadvertently undercut the goal of secure pension funding.

Following the 1998 change, I am concerned that taxpayers experiencing financial losses are not able to carry back pension contributions under section 172(f). As a result, such taxpayers are subject to a higher after-tax cost of maintaining pension funding levels. This could jeopardize the employer's ability to meet future funding obligations, and act as a disincentive to making contributions beyond the minimum requirements.

I look forward to the GAO report. Ultimately, I am hopeful we will consider enactment of legislation restoring pension contributions as an item eligible for a 10-year carryback under section 172(f). The GAO's findings will help us to weigh the merits of such legislation.

I congratulate my colleagues, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), on this outstanding bill and look forward to seeing it signed into law.

Mr. FRELINGHUYSEN. Mr. Speaker, today I rise in support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act of 2001. This legislation will help millions of working Americans plan for a secure retirement by giving them the ability and incentive to save during their working years. It will also allow many small businesses the opportunity to provide pension coverage for their employees.

A main component of H.R. 10 will raise the contribution limit for both traditional and Roth Individual Retirement Accounts (IRA's) from $2,000 to $5,000. This even includes a ''catch-up'' provision allowing workers age 50 and older to make an immediate contribution of up to $5,000 to their IRA's. This provision is helpful to Older Americans who may not have had the opportunity to contribute to a retirement savings plan in their earlier working years and especially critical to women who enter the workforce later in life.

Second, this bill provides portability for individuals with 401k-type plans. As you know, in today's changing economy, statistics show that an average worker does not stay in one job for more than five years. To accommodate the needs of a growing mobile workforce, H.R. 10 will allow workers to change jobs without fear of losing their accumulated retirement savings. In addition, workers will also be able to become vested in a pension plan in 3 years instead of the current 5.

Finally, this legislation removes many of the burdensome regulations and administrative costs, such as an IRS ''user fee,'' which in many cases prevent small businesses from offering employer pension plans. This freedom and flexibility will not only allow small businesses to provide a pension plan, but just as important, gives an incentive for employees to stay in the workforce and make important contributions to company growth and productivity.

Mr. Speaker, today's vote is important because it reaffirms our bipartisan commitment to providing a safe and secure retirement for generations of Americans. We have already stopped the ''raid'' on Social Security and locked away the $2.6 trillion Social Security surplus from other government spending. Now, we are helping American families and individuals, especially the seventy million Americans who do not have a retirement savings plan or pension, with incentives to take that extra step in making critical, short-term investments in retirement savings. People will now be able to fulfill and enjoy their long-term hopes and dreams during their retirement years.

Mr. BLUMENAUER. Mr. Speaker, I rise today to support both H.R. 10 and the substitute amendment. I am gratified to see this bipartisan legislation improving pension and retirement savings vehicles has been brought before the House of Representatives for consideration.

I am especially pleased with one provision that I have been working to change since coming to Congress: Section 415. The current statutes establish arbitrary and punitive levels on working people by not allowing those who are covered by pension programs to collect the full benefits they have accrued. This is wrong and H.R. 10 will fix this inequity and allow all hard working citizens to collect their full pension.

Both H.R. 10 and the substitute deal with the 100 percent of compensation problem, which speaks to the disparity lower-paid employees face when they do not get the pension they should because programs are based on years of service, rather than salary amounts.

Those who retire early due to the difficult and often physical nature of their work currently are not allowed to withdraw the full amount of their pension. This legislation would address that problem.

These are important issues and the legislation is long overdue.

Mr. GRAVES. Mr. Speaker, I rise today in strong support of the Comprehensive Retirement Security and Pension Reform Act. Seventy million Americans do not have a 401(k)-type plan or any kind of pension—roughly half the workforce. In fact, the problem is worse among small businesses—less than 20 percent of small businesses with 25 or fewer employees offer any kind of pension coverage today. Mr. Speaker, it is time we make retirement security a reality for more Americans.

The Comprehensive Retirement Security and Pension Reform Act modernizes pension laws, provides regulatory relief to encourage more small businesses to offer retirement plans and allows Americans to set more aside in an IRA or 401(k)-type plan. In addition, this plan expands opportunities for women to place retirement savings in IRAs when they take time away from the work place, opens the door for women to make catch-up contributions to IRAs later in life when they are likely to earn more money, and increases the overall amount they can contribute to their retirement savings.

I am pleased to vote today to pass this fair, balanced and bipartisan plan to strengthen the economy, increase savings and investment, and provide a more secure retirement for all Americans.

Mr. UDALL of Colorado. Mr. Speaker, Mr. Speaker, I rise in support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act of 2001.

H.R. 10 increases the maximum amount that can be contributed annually to both traditional Individual Retirement Accounts and Roth IRAs from the current $2,000 to $5,000 over the next three years. In addition, the bill increases the limits on annual contributions to 401(k) and other defined contribution plans from the current $10,000 to $15,000 over five years. Workers who are 50 or older the bill would allow additional annual contributions of up to $5,000 to both IRAs and 401(k) plans. This provision is particularly important for women who may have entered and left the workforce during their careers to respond to the needs of their families.

This bill does more than just raise contribution limits. H.R. 10 accelerates vesting of employer matching contributions to defined contribution plans from five years to three years, and increases the portability of account balances in pension plans when workers change jobs.

While H.R. 10 is a good step forward, it is important to note that only half of our workforce is covered by any type of pension plan. Of those workers who are covered by a pension plan, only about one-quarter of low- and moderate-income workers actually participate in them.

As a member of the House Small Business Committee, I am committed to helping small businesses provide pension plans that help lower- and moderate-income workers save for retirement. That is why I support the Rangel-Neal-Andrews-Tierney amendment to add three small business tax credits to H.R. 10.

The first provision in the Rangel-Neal-Andrews-Tierney amendment is a refundable tax credit of up to 50 percent of an employee's contribution to a traditional IRA or employer-sponsored plan up to a maximum credit of $1,000 per year. This credit would be available for people earning at least $5,000 and would phase-out as income increases from $25,000 to $75,000 for married couples and $12,500 to $37,500 for single people. The second tax credit is to encourage employers that do not currently have pension plans to start one. Employers of fewer than 100 people could receive a tax credit of 50 percent of contributions up to 3 percent of payroll for the first three years they have a plan. The final tax credit in the Rangel-Neal-Andrews-Tierney amendment will be available for three years to help small employers with the initial administrative costs for setting up a plan.

Mr. COYNE. Mr. Speaker, I rise in support of H.R. 10. but, at the same time, I rise to emphasize that important work still needs to be done, that this is only the beginning, to improve the retirement opportunities of those citizens for whom this bill will have limited benefit at best.

For many years, we have attempted to address the issue of pension reform. In doing so, we have learned that this is, in reality, not a simple, single issue, but a set of issues as complex as they are broad. The challenge for us is to determine what aspects of the pension system are most in need of legislative remedy, then to direct our energies toward creating the best solutions. Often we have found that our efforts can lead to competing, contradictory results.

I believe that this bill is a worthwhile beginning to addressing the many gaps and shortfalls in pension coverage. I especially commend the section 415 changes, which will alleviate the restrictive rules for our many citizens who are covered by multiemployer plans.

However, I think that incentives beyond the expansion of contribution limits are needed to help employees to fund their retirement accounts and to assist small business owners to start pension plans for themselves and their employees.

We have an obligation to all Americans to craft legislation that reaches down to everyone in its support of pension income enhancement. The two amendments offered by the Democrats do just that.

The first amendment would help those with little or no retirement savings, who cannot begin to contemplate making contributions in the amounts addressed in this bill. It would provide a refundable tax credit on contributions made to traditional savings plans and IRA's. I support such a program.

The second amendment would assist those small business owners wishing to offer pension coverage, and their employees who desperately need it. It would provide a tax credit for pension plan start-up costs and contributions. Recent data shows only 42 percent of full-time employees in businesses with fewer than 100 employees participated in an employer-sponsored pension or retirement savings plans. Small businesses are a vital part of our economy; they deserve our help.

When the Committee on Ways and Means next takes up the pension issue, and we need to do so this year, we must address the following important areas: (1) the expansion of pension coverage to workers without pensions; (2) the expansion of coverage for low-wage workers; (3) the expansion of coverage for part-time workers; (4) the improvement of pension coverage for women; (5) the improvement of vesting and portability for workers who change jobs; and (6) the improvement of available information about retirement planning and pension choices.

Research has shown that part-time and lower-income workers are much less likely than full-time and more highly paid workers to be participants in pension or retirement savings plans. We must direct our focus to those workers who toil at the margins of pension coverage.

The lack of pension coverage is a particular problem for women, whose circumstances are often made worse by years spent out of the workforce tending to family responsibilities. No pension legislation can be considered complete without a targeted effort to help women secure the pension benefits which all manner of their contributions have earned for them.

And, we must assure that all workers are offered the information needed to understand their pension and retirement savings plans, and the choices inherent in those plans.

Mr. Speaker, this bill, which I support today, is a starting point to improve the pension system that we already have. I now would urge my colleagues to work together to develop the pension system that we need, one that will provide a dignified retirement for all workers, regardless of their income or career paths.

Mr. STARK. Mr. Speaker, half of the American workforce lacks pension coverage. The majority of those who lack pension coverage are low- to moderate-income workers and employees in small businesses. Therefore, pension reform should be aimed at providing coverage for those who currently lack it. Any pension reform package should be judged primarily in terms of how much additional coverage for moderate and low-income workers the legislation provides and at what cost in terms of lost revenue. The biggest problem with the overall bill is that the bulk of it is spent to help relatively few workers who already have pensions and save for retirement. The biggest potential problem with the bill is that it could actually provide a disincentive for small business owners to provide any pension coverage at all.

Increasing the IRA contribution limits to $5,000 is likely to hurt some low and mid-income workers by inducing small businesses not to offer an employer-sponsored pension plan. Under H.R. 10, the small business owner will be able to contribute $10,000 to an IRA combined for himself and his spouse. This additional contribution may be sufficient enough for the owner's retirement savings that he may not perceive a need, nor want to incur the cost, to set-up an employer-sponsored pension plan.

Over three-fourths of the pension and IRA tax benefits in H.R. 10 would accrue to the 20 percent of Americans with the highest incomes. In addition to increasing IRA contribution limits, this bill helps executives and those employees who already earn the most lucrative salaries and already contribute to some type of tax-preferred retirement plan. The bill increases the $135,000 annual benefit limit for defined benefit plans to $160,000. Clearly this only helps those who currently earn the maximum defined benefit plan limit of $135,000. The rank and file workers don't earn pension benefits in excess of $135,000 so they don't need an increase on the annual limit on defined benefit plans. This is exclusively designed for those at the top.

Currently, there is an employee limit of $10,500 on deposits to 401(k)s, and the combined employer-employee contribution may not exceed the lesser of $30,000 or 25 percent of pay. The bill before us raises the maximum combined contribution to $40,000 and eliminates the requirement that it not exceed 25 percent of pay. This is yet another example of a provision that is purely intended for high-income workers who already contribute greatly to their pensions.

Under current law, tax-preferred pension plans must not discriminate in favor of highly compensated employees. For example, employers must not discriminate between executives and the rank-and-file workers in the formulas used to calculate employer contributions. This ensures that tax preferences for pension plans serve the public purpose of boosting pensions among a wide array of workers. Instead of strengthening these rules, the pension reform bill loosens the nondiscrimination rules.

The bill also seeks to relax the ''top heavy'' protections that serve a similar purpose in ensuring that the pension wealth is not concentrated amongst the top tier income-earners. These safeguards apply to plans in which 60 percent or more of the pension contributions or benefits accrue to company officers and owners (''key'' employees). The protections require firms to take additional steps to protect the rank-and-file workers through accelerated vesting and certain minimum contributions or benefits than would otherwise be required under the general rules. H.R. 10 relaxes these safeguards to the detriment of employees working for these firms.

There are a few relatively miniscule provisions that would actually be good policy changes for a broad range of workers if they were pulled out from the bill and addressed in separate legislation.

The legislation would allow rollovers across defined contribution plan types so that, for example, 401(k) assets could be rolled over into 403(b) accounts. This will allow employees to move from public, private and non-profit jobs with fewer pension constraints. This amounts to .004 percent of the bill's total cost. The legislation also allows for faster vesting under employer-matching contribution plans. The bill accelerates the schedule for cliff vesting from 5 years to 3 years, and from 7 years to 6 years under graded vesting, reflecting the shorter commitments employees make to any one employer. This provision has a negligible revenue effect.

Section 415(b), Multi-Employer Pensions limits are increased allowing those in the construction industry to earn the pensions negotiated for in their contracts. Although this provision may only effect a small group of workers, it accounts for just one percent of the overall bill. It is unfortunate that a little over 1 percent of today's bill actually provides for sound policy changes to help those who really need it.

This bill does nothing to induce those who currently don't save for retirement to do so, and it gives those who do save more ways to shift funds. The Washington Post Editorial Department recognizes this fact, and I would like to submit the following Op-Ed for the RECORD.

I urge my colleagues to vote no on H.R. 10.

[From the Washington Post, Apr. 29, 2001]

A MISERABLE PENSION BILL

The House Ways and Means Committee has approved still another tax cut bill, the third this year. Unlike the first two, this one is relatively small, was not proposed by President Bush and has strong bipartisan support. The House is expected to pass it overwhelmingly this week. But that's unfortunate, because the bill would not produce the healthy result its sponsors suggest.

The bill, whose principal sponsors are Reps. Rob Portman and Benjamin Cardin, is presented as a way of increasing the retirement savings of the middle class. But in fact the tax savings, an estimated $52 billion over 10 years—would go mainly to people whose incomes already permit them to save a great deal. The committee rightly observes that too many workers approach retirement with insufficient savings; half of all private-sector workers lack pension coverage. But most of them will continue to lack it if this bill is passed. Those who already have the most coverage will be eligible for more; that will be the main effect.

The bill would significantly increase the amounts of money that can be set aside each year in tax-favored individual retirement and 401(k) accounts. An estimated three-fourths of the benefit of the bill would go to taxpayers in the highest income quintile, and two-fifths would go to the highest income 5 percent. Democratic efforts to broaden the bill to benefit lower-income taxpayers failed. This bill also contains provisions that critics think would induce small employers to reduce pension coverage rather than expand it, as the sponsors suggest.

This one won't break the bank, but neither is it likely to increase savings that much. For the most part, it will confer in the name

of savings a tidy tax break on people who were going to save anyway. It ought not to pass.

Mr. CANTOR. Mr. Speaker, I rise today in support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act and commend Messrs. PORTMAN and CARDIN for introducing this important legislation.

Financial security in retirement is the cornerstone of the American dream and a critical component of ensuring the health and well-being of our society for generations to come. Long-term financial planning provides vast benefits to our national economy, and all hard-working Americans deserve to retire in comfort without worrying about whether they will become a burden to their families or reliant upon the Federal Government for health care and daily subsistence.

H.R. 10 would allow Americans to make a greater investment in their own retirement plans through expanded individual retirement accounts and 401(k)s. This provision alone would permit Americans to accumulate more wealth as they work toward retirement and would have an immediate beneficial impact upon our slowing economy. In addition, this bill contains a special catch-up contribution for those age 50 and older who perhaps were unable to save for retirement to the maximum extent possible early in their careers.

Another important aspect of this measure is that it would greatly enhance pension portability, so that workers who change jobs can take their pension benefits with them. This common sense provision is long overdue and enjoys overwhelming support among working men and women across the United States. Finally, the bill includes provisions that would make it easier for our Nation's small businesses to start retirement plans, helping bring new pension coverage to millions of small business workers.

Mr. Speaker, the time has come to enact this bipartisan legislation into law. No longer can we discuss Social Security and Medicare reform, the rising costs of health care for our senior citizens, and their inability to meet daily living expenses on a fixed income without enabling them to adequately plan and save for their retirement.

I join the overwhelming majority of my colleagues in the House in support of H.R. 10 and urge the immediate adoption of this important legislation.

Ms. HARMAN. Mr. Speaker, I rise today to support H.R. 10, the Comprehensive Retirement Security and Pension Reform Act of 2001, which will improve the ability of all Americans to save for retirement.

Since 1981, the IRA contribution limit has not been adjusted for inflation. This legislation increases the contribution limit over the next 3 years to $5,000. Additionally, those who are over 50 are given the opportunity to ''catch up'' through an increased contribution limit of $5,000 beginning in 2002. This legislation also addresses the needs of the increasingly mobile workforce through provisions which provide quicker vesting for employer matching funds, a simpler pension system to encourage small businesses to provide pension plans and a faster vesting of employer matching contributions. These provisions will allow the younger generation of workers to better plan and adequately prepare for retirement.

Mr. Speaker, I was not here the last time this legislation was considered on the House floor, but had I been, this legislation would have had my full support.

I urge my colleagues to support H.R. 10.

Mr. BEREUTER. Mr. Speaker, this Member rises today to express his support for H.R. 10, the Comprehensive Retirement Security Pension Reform Act of 2001, of which this Member is an original cosponsor. In fact, this Member also cosponsored similar legislation (H.R. 1102) in the prior 106th Congress. Therefore, this Member would like to thank both of the main sponsors of H.R. 10—the distinguished gentleman from Ohio, ROB PORTMAN and the distinguished gentleman from Maryland, BEN CARDIN—and the chairman of the House Ways and Means Committee, the distinguished gentleman from California, Mr. BILL THOMAS, for their instrumental role in bringing H.R. 10 to the House floor.

The pension reform provisions as provided in H.R. 10 are all too necessary as half of the people in the American workforce, 70 million workers, lack access to any sort of pension. Less than 20 percent of small businesses, businesses with 25 or fewer employees, offer any kind of pension coverage today. And, there has been almost no growth in pension coverage over the past 20 years.

Between 1982 and 1994, Congress repeatedly reduced the limits on traditional defined benefit pension plans, and costly new regulatory restrictions were added. As a result, the number of these plans dropped from 114,000 to 45,000 between 1987 and 1997. And, contribution limits on pensions and individual retirement accounts (IRAs) are stuck at 1980s levels. You could set more aside in a 401(k) plan in 1986 than you can today. Unfortunately, these cutbacks hurt the workers who need the most help in saving for retirement—those at lower and middle income levels. Since 1990, pension coverage has dropped from 40 to 33 percent among workers who make less than $20,000 per year.

To address these concerns H.R. 10 will provide $52 million in tax relief to help Americans save for retirement by making it easier for small businesses to offer retirement plans, allowing workers to save more, addressing the needs of an increasingly mobile workforce through portability, making pensions more secure, and cutting the bureaucracy of red tape that has thwarted employers in establishing employee pension plans. The bill will increase the IRA contribution limit from $2,000 to $5,000 over 3 years; subsequently, it will be indexed to inflation in $500 increments. It would increase the maximum annual contribution employees can make to their employer-sponsored 401(k) accounts from $10,500 to $15,000 over 5 years; subsequently, the annual contribution limit will be indexed to inflation in $500 increments. And, it would allow taxpayers age 50 and over to contribute $5,000 immediately beginning in 2001 as ''catch up'' contributions for those people who may have left the workforce for a time period—this is especially important for women as they often have brief or intermittent work histories.

This is a fair, balanced, bipartisan plan that will help millions of American workers, including school teachers, union workers, the financial services industry, State officials, and educational institutions. It includes provisions that will make it easier for small businesses to start retirement plans, helping to bring new pension coverage to millions of small business workers. And, H.R. 10 will greatly enhance pension portability, so that workers who change jobs can take their pension benefits with them.

Mr. Speaker, for all of these important reasons for comprehensive pension reform and coverage, this Member strongly urges his colleagues to vote for H.R. 10.

Mr. WELDON of Florida. Mr. Speaker, I rise in strong support of H.R. 10. As a proud cosponsor of this bill I am pleased that we are moving forward with this legislation at the outset of the 107th Congress. Last year this bill received overwhelming support in the House and Senate. We now have a President, George W. Bush, who indicated his support of the bill and his willingness to sign it into law.

It is critical that we do all that we can to help Americans better prepare for their retirement. H.R. 10 makes it easier for small businesses to offer retirement plans, allows workers to save more of their income for retirement. It makes it easier for an increasingly mobile workforce to carry their retirement benefits from one job to another, makes pensions more secure, and cuts the red tape that has hamstrung employers who want to establish pension plans for their employees.

With regard to individual retirement accounts (IRAs), the bill increases that annual contribution limit from $2,000 to $3,000 in 2002, $4,000 in 2003 and $5,000 by 2004. Thereafter, the contribution limit is indexed for inflation. The current $2,000 limit has not been increased since 1981. Additionally, taxpayers that are over 50 years of age are allowed to contribute up to $5,000 a year beginning immediately in 2002, allowing these older Americans to make ''catch up'' contributions for retirement.

This bill includes over 50 provisions to improve the retirement security of American workers. I am pleased that this bill enjoys broad bipartisan support, and I look forward to its passage.

Mr. TOM DAVIS of Virginia. Mr. Speaker, I rise today in strong support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act, a bill I consider to be one of the most important pieces of legislation we will consider during this Congress.

Americans want to be self-sufficient. That desire is at the core of the vast majority of legislation we consider here in Congress, be it tax-related, healthcare-related, pension-related, or education-related. Americans want the resources available in their old age that will allow them to live in dignity, without dependency on the government or the charity of others, and without becoming a burden to their children. This is a simple request, but in order to make it possible, years of careful planning and savings are required. How can we as Members of Congress help in this process, Mr. Speaker? We have social security, but we all realize this is a program in need of comprehensive reform in order to remain viable. Many are skeptical that the money they pay into social security will be there to help them when they retire. Whatever is done—or not done with respect to social security, we all realize that depending heavily on social security to provide a secure retirement is a bad idea. In fact, it was never intended to be more than one leg, of a three-legged stool, the other legs of which were personal savings and pension plans. Unfortunately, with the level of personal savings in this country at its lowest level since 1933, this three-legged stool is becoming more of a pogo stick.

Therefore, it is paramount that we in Congress give Americans tools to save more of their personal income for retirement. IRAs and 401(k)s have been excellent instruments to accomplish this goal, but allowable contributions need to be raised to more realistic levels. H.R. 10 raises the limit for IRA contributions to $5000 and the 401(k) limit to $15,000, then indexes them for inflation. It gives individuals over 50 years old the opportunity to ''catch up'' by making contributions of up to $5000 immediately. H.R. 10 also makes it easier for workers to move their pension savings when they change jobs, and eliminates regulatory barriers that discourage small businesses from setting up pension programs.

There are other important provisions in H.R. 10, but I would like to summarize by saying that Messrs. PORTMAN and CARDIN have done an outstanding job crafting a comprehensive bill that will help Americans prepare for retirement. I commend them on their outstanding work, and I urge my colleagues to support this bill.

Mr. BRADY of Pennsylvania. Mr. Speaker, I rise in strong support of pension provisions in H.R. 10 and the Rangel-Neal substitute. This legislation will make life better for the 10 million hard working Americans, retirees and their families who depend on multi-employer plans for retirement, health and other benefits.

I support this legislation for one simple reason. It restores fairness to the tax code. Many working Americans, especially union members in the building trades work their whole lives and pay into pension funds. They expect to get back what they put in.

Instead, Section 415 of the IRS code treats union multi-employer pension plans the same way it treats wealthy tax dodgers. Section 415 limits were designed to prevent high income individuals from using pension plans to shelter excessive benefits.

But these limits are being applied to multi-employer plans, whose beneficiaries are typical working men and women. Multi-employer plan retirees need relief and they need it now.

H.R. 10 and the substitute allow working people to receive more of their retirement benefits that they have worked for and earned.

Mr. Speaker, I want to thank my friends BEN CARDIN and ROB PORTMAN for working so hard to bring this much needed relief to working Americans. I urge my colleagues to support this bill.

Mrs. MINK of Hawaii. Mr. Speaker, I rise in support of H.R. 10, the Portman-Cardin pension reform bill. I am proud to be an original cosponsor of this legislation.

According to the Social Security Administration, the average retiree gets only 40 percent of her income from Social Security. Another 19 percent comes from employer-provided pensions, 18 percent from personal savings and 20 percent from earnings. Unfortunately, half of all private sector workers have no pension coverage. In businesses with less than 25 workers, only 20 percent have pension plans. Workers in such positions need incentives to save for their retirement.

H.R. 10 is designed to encourage retirement and pension savings.

First, the bill increases the amount an individual can contribute to an Individual Retirement Account (IRA) and $2,000 per year to $5,000 per year by 2004. Beginning in 2005, the amount would be indexed for inflation in $500 increments. The contribution limit is increased for both traditional IRAs (contributions are tax deductible and not taxed until withdrawn) and Roth IRAs (contributions are not deductible but withdrawals are not taxed).

Second, the bill increases the amount an individual can contribute to a 401(k) plan, a tax-sheltered annuity or a salary-reduction Simplified Employee Pension (SEP) plan is increased from $10,500 to $15,000 by 2006.

Third, the bill increases the amount that may be contributed to a small business SIMPLE plan from $6,500 to $10,000 by 2006.

Fourth, the amount that an individual employee of a state or local government or a non-profit organization can contribute to a Section 457 plan is increased from $8,500 to $15,000 by 2006. In addition, the amount of contributions can be doubled during the last three years before retirement.

Together, these provisions provide workers with increased opportunities to save for retirement.

Next, the bill increases the portability of pensions. This is increasingly important to the modern workforce, with its high degree of mobility. Under the provision, workers will be able to roll-over pension savings from one type of plan to another as they move from job to job.

The bill also contains an extremely important provision relating to vesting of pension rights. Under current law, a worker can lose their employer's pension benefits if they do not work for the employer for five years. The bill changes the vesting rule so that a worker's rights to pension benefits vests with three years of employment.

I would like to see greater protections for workers whose employers are converting their pension plans to so-called cash balance plans. Employers often do not disclose to older workers that a conversion to a cash balance plan may contain a ''wear-away'' provision under which a worker may not earn any additional pension benefits for several years. Employees also do not receive adequate explanation of the effect that a conversion has on pension benefits because employers are not required to provide an explanation.

On balance, however, the bill is a step in the right direction of assisting Americans to increasing their savings toward their retirement and I urge its passage.

The SPEAKER pro tempore. All time for general debate has expired.

AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. NEAL OF MASSACHUSETTS

Mr. NEAL of Massachusetts. Mr. Speaker, I offer an amendment in the nature of a substitute.

The SPEAKER pro tempore. The Clerk will designate the amendment in the nature of a substitute.

The text of the amendment in the nature of a substitute is as follows:

Amendment in the nature of a substitute offered by Mr. NEAL of Massachusetts:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Comprehensive Retirement Security and Pension Reform Act of 2001''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

TITLE I—INDIVIDUAL RETIREMENT ACCOUNTS

SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking ''$2,000'' and inserting ''the deductible amount''.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

''(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

''(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

''For taxable years beginning in:	The deductible amount is:
2002	$3,000
2003	$4,000
2004 and thereafter	$5,000.

''(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for taxable years beginning in 2002 or 2003 shall be $5,000.

''(C) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2004, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $500, such amount shall be rounded to the next lower multiple of $500.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking ''in excess of $2,000 on behalf of any individual'' and inserting ''on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)''.

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(3) Section 408(b) is amended by striking ''$2,000'' in the matter following paragraph (4) and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(4) Section 408(j) is amended by striking ''$2,000''.

(5) Section 408(p)(8) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE II—EXPANDING COVERAGE

SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62'' and by striking the second sentence.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000''; and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000''; and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2001''.

(5) CONFORMING AMENDMENTS.—

(A) Section 415(b)(2) is amended by striking subparagraph (F).

(B) Section 415(b)(9) is amended to read as follows:

''(9) SPECIAL RULE FOR COMMERCIAL AIRLINE PILOTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), in the case of any participant who is a commercial airline pilot, if, as of the time of the participant's retirement, regulations prescribed by the Federal Aviation Administration require an individual to separate from service as a commercial airline pilot after attaining any age occurring on or after age 60 and before age 62, paragraph (2)(C) shall be applied by substituting such age for age 62.

''(B) INDIVIDUALS WHO SEPARATE FROM SERVICE BEFORE AGE 60.—If a participant described in subparagraph (A) separates from service before age 60, the rules of paragraph (2)(C) shall apply.''.

(C) Section 415(b)(10)(C)(i) is amended by striking ''applied without regard to paragraph (2)(F)''.

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$40,000''.

(2) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000''; and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000''; and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2001''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

(2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is amended—

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2001''; and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$11,000
2003	$12,000
2004	$13,000

2005	$14,000
2006 or thereafter	$15,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2006, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2005, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount''; and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$11,000
2003	$12,000
2004	$13,000
2005	$14,000
2006 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2006, the Secretary shall adjust the $15,000 amount under subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2005, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$7,000
2003	$8,000
2004	$9,000
2005 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2005, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2004, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Subclause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) AMENDMENT OF ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 203. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i);

(B) by striking clause (i) and inserting the following:

''(i) an officer of the employer having an annual compensation greater than $150,000,'';

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively; and

(D) by striking the second sentence in the matter following clause (iii), as redesignated by subparagraph (C).

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE''; and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

''(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

''(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)''; and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no key employee or former key employee.''.

(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 201, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

SEC. 206. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 10511 of the Revenue Act of 1987 for requests to the Internal Revenue Service for determination letters with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

(1) made after the later of—

(A) the fifth plan year the pension benefit plan is in existence; or

(B) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years; or

(2) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

(b) PENSION BENEFIT PLAN.—For purposes of this section, the term ''pension benefit plan'' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan.

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subsection (a) applies shall not be taken into account.

(e) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2001.

SEC. 207. DEDUCTION LIMITS.

(a) STOCK BONUS AND PROFIT SHARING TRUSTS.—

(1) IN GENERAL.—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking ''15 percent'' and inserting ''20 percent''.

(2) CONFORMING AMENDMENT.—Subparagraph (C) of section 404(h)(1) is amended by striking ''15 percent'' each place it appears and inserting ''20 percent''.

(b) COMPENSATION.—

(1) IN GENERAL.—Section 404(a) (relating to general rule) is amended by adding at the end the following:

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation otherwise paid or accrued during the taxable year' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3).''.

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (B) of section 404(a)(3) is amended by striking the last sentence.

(B) Clause (i) of section 4972(c)(6)(B) is amended by striking ''(within the meaning of section 404(a))'' and inserting ''(within the meaning of section 404(a) and as adjusted under section 404(a)(12))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 208. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

''(a) GENERAL RULE.—If an applicable retirement plan includes a qualified plus contribution program—

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

''(A) is excludable from gross income of an employee without regard to this section, and

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the first taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND CONTRIBUTIONS AND EARNINGS THEREON.—The term 'qualified distribution' shall not include any distribution of an excess deferral under section 402(g)(2) or any excess contribution under section 401(k)(8), and any income on the excess deferral or contribution.

''(3) TREATMENT OF DISTRIBUTIONS OF CERTAIN EXCESS DEFERRALS.—Notwithstanding section 72, if any excess deferral under section 402(g)(2) attributable to a designated plus contribution is not distributed on or before the 1st April 15 following the close of the taxable year in which such excess deferral is made, the amount of such excess deferral shall—

''(A) not be treated as investment in the contract, and

''(B) be included in gross income for the taxable year in which such excess is distributed.

''(4) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

(b) EXCESS DEFERRALS.—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—

(1) by adding at the end of paragraph (1)(A) (as added by section 201(d)(1)) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.''; and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

(1) W–2 INFORMATION.—Section 6051(a)(8) is amended by inserting '', including the amount of designated plus contributions (as defined in section 402A)'' before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

''Sec. 402A. Optional treatment of elective deferrals as plus contributions.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 209. AVAILABILITY OF QUALIFIED PLANS TO SELF-EMPLOYED INDIVIDUALS WHO ARE EXEMPT FROM THE SELF-EMPLOYMENT TAX BY REASON OF THEIR RELIGIOUS BELIEFS.

(a) IN GENERAL.—Subparagraph (A) of section 401(c)(2) (defining earned income) is amended by adding at the end thereof the following new sentence: ''For purposes of this part only (other than sections 419 and 419A), this subparagraph shall be applied as if the term 'trade or business' for purposes of section 1402 included service described in section 1402(c)(6).''.

(b) SIMPLE RETIREMENT ACCOUNTS.—Clause (ii) of section 408(p)(6)(A) (defining self-employed) is amended by adding at the end the following new sentence: ''The preceding sentence shall be applied as if the term 'trade or business' for purposes of section 1402 included service described in section 1402(c)(6).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 210. CERTAIN NONRESIDENT ALIENS EXCLUDED IN APPLYING MINIMUM COVERAGE REQUIREMENTS.

(a) IN GENERAL.—Subparagraph (C) of section 410(b)(3) (relating to exclusion of certain employees) is amended by inserting '', determined without regard to the reference to subchapter D in the last sentence thereof'' after ''section 861(a)(3)''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to plan years beginning after December 31, 2001.

SEC. 211. REFUNDABLE CREDIT TO CERTAIN INDIVIDUALS FOR ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

''SEC. 35. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the applicable percentage of so much of the qualified retirement savings contributions of the eligible individual for the taxable year as do not exceed $2,000.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage is the percentage determined in accordance with the following table:

Adjusted Gross Income						Applicable percentage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
$0	$25,000	$0	$18,750	$0	$12,500	50
25,000	35,000	18,750	26,250	12,500	17,500	45
35,000	45,000	26,250	33,750	17,500	22,500	35
45,000	55,000	33,750	41,250	22,500	27,500	25
55,000	75,000	41,250	56,250	27,500	37,500	15
75,000	.....	56,250	.....	37,500	.....	0

''(c) ELIGIBLE INDIVIDUAL.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible individual' means any individual if—

''(A) such individual has attained the age of 18 as of the close of the taxable year, and

''(B) the compensation (as defined in section 219(f)(1)) includible in the gross income of the individual (or, in the case of a joint return, of the taxpayer) for such taxable year is at least $5,000.

''(2) DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.—The term 'eligible individual' shall not include—

''(A) any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins, and

''(B) any individual who is a student (as defined in section 151(c)(4)).

''(3) INDIVIDUALS RECEIVING CERTAIN RETIREMENT DISTRIBUTIONS NOT ELIGIBLE.—

''(A) IN GENERAL.—The term 'eligible individual' shall not include, with respect to a taxable year, any individual who received during the testing period—

''(i) any distribution from a qualified retirement plan (as defined in section 4974(c)), or from an eligible deferred compensation plan (as defined in section 457(b)), which is includible in gross income, or

''(ii) any distribution from a Roth IRA which is not a qualified rollover contribution (as defined in section 408A(e)) to a Roth IRA.

''(B) TESTING PERIOD.—For purposes of subparagraph (A), the testing period, with respect to a taxable year, is the period which includes—

''(i) such taxable year,

''(ii) the preceding taxable year, and

''(iii) the period after such taxable year and before the due date (without extensions) for filing the return of tax for such taxable year.

''(C) EXCEPTED DISTRIBUTIONS.—There shall not be taken into account under subparagraph (A)—

''(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6), 402(g)(2), 404(k), or 408(d)(4),

''(ii) any distribution to which section 408A(d)(3) applies, and

''(iii) any distribution before January 1, 2002.

''(D) TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.—For purposes of determining whether an individual is an eligible individual for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.

''(d) QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.—For purposes of this section, the term 'qualified retirement savings contributions' means the sum of—

''(1) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual,

''(2) the amount of—

''(A) any elective deferrals (as defined in section 402(g)(3)) of such individual, and

''(B) any elective deferral of compensation by such individual under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

''(3) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(c)).

''(e) ADJUSTED GROSS INCOME.—For purposes of this section, adjusted gross income shall be determined without regard to sections 911, 931, and 933.

''(f) INVESTMENT IN THE CONTRACT.—Notwithstanding any other provision of law, a qualified retirement savings contribution shall not fail to be included in determining the investment in the contract for purposes of section 72 by reason of the credit under this section.

''(g) TRANSITIONAL RULES.—In the case of taxable years beginning before January 1, 2008—

''(1) CONTRIBUTION LIMIT.—Subsection (a) shall be applied by substituting for '$2,000'—

''(A) $600 in the case of taxable years beginning in 2002, 2003, or 2004, and

''(B) $1,000 in the case of taxable years beginning in 2005, 2006, or 2007.

''(2) APPLICABLE PERCENTAGE.—The applicable percentage shall be determined under the following table (in lieu of the table in subsection (b)):

Adjusted Gross Income						Applicable percentage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
$0	$20,000	$0	$15,000	$0	$10,000	50
20,000	25,000	15,000	18,750	10,000	12,500	45
25,000	30,000	18,750	22,500	12,500	15,000	35
30,000	35,000	22,500	26,250	15,000	17,500	25
35,000	40,000	26,250	30,000	17,500	20,000	15
40,000	.....	30,000	.....	20,000	.....	0.''

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period '', or from section 35 of such Code''.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of such Code is amended by striking the last item and inserting the following new items:

''Sec. 35. Elective deferrals and IRA contributions by certain individuals.

''Sec. 36. Overpayments of tax.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 212. CREDIT FOR PENSION PLAN STARTUP COSTS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45E. SMALL EMPLOYER PENSION PLAN STARTUP COSTS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan startup cost credit determined under this section for any taxable year is an amount equal to 50 percent of the qualified startup costs paid or incurred by the taxpayer during the taxable year.

''(b) DOLLAR LIMITATION.—The amount of the credit determined under this section for any taxable year shall not exceed—

''(1) $1,000 for the first credit year,

''(2) $500 for each of the 2 taxable years immediately following the first credit year, and

''(3) zero for any other taxable year.

''(c) ELIGIBLE EMPLOYER.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible employer' has the meaning given such term by section 408(p)(2)(C)(i).

''(2) EMPLOYERS MAINTAINING QUALIFIED PLANS DURING 1998 NOT ELIGIBLE.—Such term shall not include an employer if such employer (or any predecessor employer) maintained a qualified plan (as defined in section 408(p)(2)(D)(ii)) with respect to which contributions were made, or benefits were accrued, for service in 1998. If only individuals other than employees described in subparagraph (A) or (B) of section 410(b)(3) are eligible to participate in the qualified employer plan referred to in subsection (d)(1), then the preceding sentence shall be applied without regard to any qualified plan in which only employees so described are eligible to participate.

''(d) OTHER DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED STARTUP COSTS.—

''(A) IN GENERAL.—The term 'qualified startup costs' means any ordinary and necessary expenses of an eligible employer which are paid or incurred in connection with—

''(i) the establishment or administration of an eligible employer plan, or

''(ii) the retirement-related education of employees with respect to such plan.

''(B) PLAN MUST HAVE AT LEAST 2 PARTICIPANTS.—Such term shall not include any expense in connection with a plan that does not have at least 2 individuals who are eligible to participate.

''(C) PLAN MUST BE ESTABLISHED BEFORE JANUARY 1, 2010.—Such term shall not include any expense in connection with a plan established after December 31, 2009.

''(2) ELIGIBLE EMPLOYER PLAN.—The term 'eligible employer plan' means a qualified employer plan within the meaning of section 4972(d), or a qualified payroll deduction arrangement within the meaning of section 408(q)(1) (whether or not an election is made under section 408(q)(2)). A qualified payroll deduction arrangement shall be treated as an eligible employer plan only if all employees of the employer who—

''(A) have been employed for 90 days, and

''(B) are not described in subparagraph (A) or (C) of section 410(b)(3),

are eligible to make the election under section 408(q)(1)(A).

''(3) FIRST CREDIT YEAR.—The term 'first credit year' means—

''(A) the taxable year which includes the date that the eligible employer plan to which such costs relate becomes effective, or

''(B) at the election of the eligible employer, the taxable year preceding the taxable year referred to in subparagraph (A).

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All eligible employer plans shall be treated as 1 eligible employer plan.

''(2) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified startup costs paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(3) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.''

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) of such Code (defining current year business credit) is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following new paragraph:

''(14) in the case of an eligible employer (as defined in section 45E(c)), the small employer pension plan startup cost credit determined under section 45E(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d) of such Code is amended by adding at the end the following new paragraph:

''(10) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN STARTUP COST CREDIT BEFORE JANUARY 1, 2002.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan startup cost credit determined under section 45E may be carried back to a taxable year beginning before January 1, 2002.''

(2) Subsection (c) of section 196 of such Code is amended by striking ''and'' at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting '', and'', and by adding at the end the following new paragraph:

''(10) the small employer pension plan startup cost credit determined under section 45E(a).''

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

''Sec. 45E. Small employer pension plan startup costs.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred in taxable years beginning after December 31, 2001.

SEC. 213. CREDIT FOR QUALIFIED PENSION PLAN CONTRIBUTIONS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45F. SMALL EMPLOYER PENSION PLAN CONTRIBUTIONS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan contribution credit determined under this section for any taxable year is an amount equal to 50 percent of the amount which would (but for subsection (f)(1)) be allowed as a deduction under section 404 for such taxable year for qualified employer contributions made to any qualified retirement plan on behalf of any nonhighly compensated employee.

''(b) CREDIT LIMITED TO 3 YEARS.—The credit allowable by this section shall be allowed only with respect to the period of 3 taxable years beginning with the taxable year in which the qualified retirement plan becomes effective.

''(c) QUALIFIED EMPLOYER CONTRIBUTION.—For purposes of this section—

''(1) DEFINED CONTRIBUTION PLANS.—In the case of a defined contribution plan, the term 'qualified employer contribution' means the amount of nonelective and matching contributions to the plan made by the employer on behalf of any nonhighly compensated employee to the extent such amount does not exceed 3 percent of such employee's compensation from the employer for the year.

''(2) DEFINED BENEFIT PLANS.—In the case of a defined benefit plan, the term 'qualified employer contribution' means the amount of employer contributions to the plan made on behalf of any nonhighly compensated employee to the extent that the accrued benefit of such employee derived from such contributions for the year do not exceed the equivalent (as determined under regulations prescribed by the Secretary and without regard to contributions and benefits under the Social Security Act) of 3 percent of such employee's compensation from the employer for the year.

''(d) QUALIFIED RETIREMENT PLAN.—

''(1) IN GENERAL.—The term 'qualified retirement plan' means any plan described in section 401(a) which includes a trust exempt from tax under section 501(a) if the plan meets—

''(A) the contribution requirements of paragraph (2),

''(B) the vesting requirements of paragraph (3), and

''(C) the distributions requirements of paragraph (4).

''(2) CONTRIBUTION REQUIREMENTS.—

''(A) IN GENERAL.—The requirements of this paragraph are met if, under the plan—

''(i) the employer is required to make nonelective contributions of at least 1 percent of compensation (or the equivalent thereof in the case of a defined benefit plan) for each nonhighly compensated employee who is eligible to participate in the plan, and

''(ii) except in the case of a defined benefit plan, allocations of nonelective employer contributions are either in equal dollar amounts for all employees covered by the plan or bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan.

''(B) COMPENSATION LIMITATION.—The compensation taken into account under subparagraph (A) for any year shall not exceed the limitation in effect for such year under section 401(a)(17).

''(3) VESTING REQUIREMENTS.—The requirements of this paragraph are met if the plan satisfies the requirements of subparagraph (A) or (B).

''(A) 3-YEAR VESTING.—A plan satisfies the requirements of this subparagraph if an employee who has completed at least 3 years of service has a nonforfeitable right to 100 percent of the employee's accrued benefit derived from employer contributions.

''(B) 5-YEAR GRADED VESTING.—A plan satisfies the requirements of this subparagraph if an employee has a nonforfeitable right to a percentage of the employee's accrued benefit derived from employer contributions determined under the following table:

''Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.

''(4) DISTRIBUTION REQUIREMENTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the requirements of this paragraph are met if, under the plan—

''(i) in the case of a profit-sharing or stock bonus plan, amounts are distributable only as provided in section 401(k)(2)(B), and

''(ii) in the case of a pension plan, amounts are distributable subject to the limitations applicable to other distributions from the plan.

''(B) DISTRIBUTIONS WITHIN 5 YEARS AFTER SEPARATION, ETC.—In no event shall a plan meet the requirements of this paragraph unless, under the plan, amounts distributed—

''(i) after separation from service or severance from employment, and

''(ii) within 5 years after the date of the earliest employer contribution to the plan,

may be distributed only in a direct trustee-to-trustee transfer to a plan having the same distribution restrictions as the distributing plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—The term 'eligible employer' has the meaning given such term by section 408(p)(2)(C)(i).

''(2) NONHIGHLY COMPENSATED EMPLOYEES.—The term 'highly compensated employee' has the meaning given such term by section 414(q) (determined without regard to section 414(q)(1)(B)(ii)).

''(f) SPECIAL RULES.—

''(1) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified employer contributions paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(2) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.

''(g) RECAPTURE OF CREDIT ON FORFEITED CONTRIBUTIONS.—If any accrued benefit which is forfeitable by reason of subsection (d)(3) is forfeited, the employer's tax imposed by this chapter for the taxable year in which the forfeiture occurs shall be increased by 35 percent of the employer contributions from which such benefit is derived to the extent such contributions were taken into account in determining the credit under this section.

''(h) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations to prevent the abuse of the purposes of this section through the use of multiple plans.

''(i) TERMINATION.—This section shall not apply to any plan established after December 31, 2009.''

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) of such Code (defining current year business credit) is amended by striking ''plus'' at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting '', plus'', and by adding at the end the following new paragraph:

''(15) in the case of an eligible employer (as defined in section 45F(e)), the small employer pension plan contribution credit determined under section 45F(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d) of such Code is amended by adding at the end the following new paragraph:

''(11) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN CONTRIBUTION CREDIT BEFORE JANUARY 1, 2002.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan contribution credit determined under section 45F may be carried back to a taxable year beginning before January 1, 2002.''

(2) Subsection (c) of section 196 of such Code is amended by striking ''and'' at the end of paragraph (9), by striking the period at the end of paragraph (10) and inserting '', and'', and by adding at the end the following new paragraph:

''(11) the small employer pension plan contribution credit determined under section 45F(a).''

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

''Sec. 45F. Small employer pension plan contributions.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or incurred in taxable years beginning after December 31, 2001.

TITLE III—ENHANCING FAIRNESS FOR WOMEN

SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(A) $5,000, or

''(B) the excess (if any) of—

''(i) the participant's compensation for the year, over

''(ii) any other elective deferrals of the participant for such year which are made without regard to this subsection.

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1), such contribution shall not, with respect to the year in which the contribution is made—

''(A) be subject to any otherwise applicable limitation contained in section 402(g), 402(h)(2), 404(a), 404(h), 408(p)(2)(A)(ii), 415, or 457, or

''(B) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan.

''(4) APPLICATION OF NONDISCRIMINATION RULES.—

''(A) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet the nondiscrimination requirements under section 401(a)(4) with respect to benefits, rights, and features if the plan allows all eligible participants to make the same election with respect to the additional elective deferrals under this subsection.

''(B) AGGREGATION.—For purposes of subparagraph (A), all plans maintained by employers who are treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as 1 plan.

''(5) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) who has attained the age of 50 before the close of the plan year, and

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or comparable limitation contained in the terms of the plan.

''(6) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(B) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (A)(iii) for any year to which section 457(b)(3) applies.

''(D) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2006, the Secretary shall adjust annually the $5,000 amount in paragraph (2)(A) for increases in the cost-of-living at the same time and in the same manner as adjustments under section 415(d); except that the base period taken into account shall be the calendar quarter beginning July 1, 2005, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2001.

SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

(2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'';

(B) by striking paragraph (2); and

(C) by inserting ''or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 404(j) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR MONEY PURCHASE PLANS.—For purposes of paragraph (1)(B), in the case of a defined contribution plan which is subject to the funding standards of section 412, section 415(c)(1)(B) shall be applied by substituting '25 percent' for '100 percent'.''.

(D) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(E) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(F) Section 415(c) is amended by striking paragraph (4).

(G) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(H) Subparagraph (B) of section 402(g)(7) (as redesignated by section 201) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(I) Section 664(g) is amended—

(i) in paragraph (3)(E) by striking ''limitations under section 415(c)'' and inserting ''applicable limitation under paragraph (7)'', and

(ii) by adding at the end the following new paragraph:

''(7) APPLICABLE LIMITATION.—

''(A) IN GENERAL.—For purposes of paragraph (3)(E), the applicable limitation under this paragraph with respect to a participant is an amount equal to the lesser of—

''(i) $30,000, or

''(ii) 25 percent of the participant's compensation (as defined in section 415(c)(3)).

''(B) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust annually the $30,000 amount under subparagraph (A)(i) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning October 1, 1993, and any increase under this subparagraph which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) IN GENERAL.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR SECTIONS 403(B) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 1999.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2000, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2) in the matter preceding subparagraph (A), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan''; and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) AMENDMENT OF ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2001.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to

one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment); or

(ii) January 1, 2002; or

(B) January 1, 2006.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 304. MODIFICATIONS TO MINIMUM DISTRIBUTION RULES.

(a) LIFE EXPECTANCY TABLES.—The Secretary of the Treasury shall modify the life expectancy tables under the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code to reflect current life expectancy.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

(A) Clause (i) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''FOR OTHER CASES'' in the heading; and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

(C) Clause (iii) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'';

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'';

(iii) by striking ''the date on which the employee would have attained age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,''; and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) DISTRIBUTIONS TO SURVIVING SPOUSE.—

(i) IN GENERAL.—In the case of an employee described in clause (ii), distributions to the surviving spouse of the employee shall not be required to commence prior to the date on which such distributions would have been required to begin under section 401(a)(9)(B) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act).

(ii) CERTAIN EMPLOYEES.—An employee is described in this clause if such employee dies before—

(I) the date of the enactment of this Act, and

(II) the required beginning date (within the meaning of section 401(a)(9)(C) of the Internal Revenue Code of 1986) of the employee.

(c) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) IN GENERAL.—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))''; and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2001.

SEC. 306. PROVISIONS RELATING TO HARDSHIP DISTRIBUTIONS.

(a) SAFE HARBOR RELIEF.—

(1) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(2) EFFECTIVE DATE.—The revised regulations under this subsection shall apply to years beginning after December 31, 2001.

(b) HARDSHIP DISTRIBUTIONS NOT TREATED AS ELIGIBLE ROLLOVER DISTRIBUTIONS.—

(1) MODIFICATION OF DEFINITION OF ELIGIBLE ROLLOVER.—Subparagraph (C) of section 402(c)(4) (relating to eligible rollover distribution) is amended to read as follows:

''(C) any distribution which is made upon hardship of the employee.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to distributions made after December 31, 2001.

SEC. 307. WAIVER OF TAX ON NONDEDUCTIBLE CONTRIBUTIONS FOR DOMESTIC OR SIMILAR WORKERS.

(a) IN GENERAL.—Section 4972(c)(6) (relating to exceptions to nondeductible contributions), as amended by section 502, is amended by striking ''and'' at the end of subparagraph (A), by striking the period and inserting '', and'' at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:

''(C) so much of the contributions to a simple retirement account (within the meaning of section 408(p)) or a simple plan (within the meaning of section 401(k)(11)) which are not deductible when contributed solely because such contributions are not made in connection with a trade or business of the employer.''

(b) EXCLUSION OF CERTAIN CONTRIBUTIONS.—Section 4972(c)(6) is amended by adding at the end the following new sentence: ''Subparagraph (C) shall not apply to contributions made on behalf of the employer or a member of the employer's family (as defined in section 447(e)(1)).''.

(c) NO INFERENCE.—Nothing in the amendments made by this section shall be construed to infer the proper treatment of nondeductible contributions under the laws in effect before such amendments.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b) and which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(10) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in section 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8),'' and inserting ''403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) REASONABLE NOTICE.—No penalty shall be imposed on a plan for the failure to provide the information required by the amendment made by subsection (c) with respect to any distribution made before the date that is 90 days after the date on which the Secretary of the Treasury issues a safe harbor rollover notice after the date of the enactment of this Act, if the administrator of such plan makes a reasonable attempt to comply with such requirement.

(3) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following:

''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 404. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 403, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) IN GENERAL.—A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election, and

''(V) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) EXCEPTION.—Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) AMENDMENT OF ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election; and

''(v) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) Except to the extent provided in regulations promulgated by the Secretary of the Treasury, a defined contribution plan shall not be treated as failing to meet the requirements of this subsection merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated; and

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) REGULATIONS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by inserting after the second sentence the following new sentence: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any participant in a more than de minimis manner.''.

(2) AMENDMENT OF ERISA.—Section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended by inserting before the last sentence the following new sentence: ''The Secretary of the Treasury shall by regulations provide that this paragraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any participant in a more than de minimis manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2003, the Secretary of the Treasury is directed to issue regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendment made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2003, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination''; and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'';

(ii) by striking subparagraph (C); and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—Subsection (e) of section 457 is amended by adding after paragraph (16) the following new paragraph:

''(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2001.

SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT OF ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

SEC. 501. REPEAL OF PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

"In the case of any plan year beginning in—	The applicable percentage is—
2002	165
2003	170.''.

(b) AMENDMENT OF ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

"In the case of any plan year beginning in—	The applicable percentage is—
2002	165
2003	170.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c), as amended by section 207, is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within

the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 504. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—

(1) IN GENERAL.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the notice to which the failure relates is provided or the failure is otherwise corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED AND REASONABLE DILIGENCE EXERCISED.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that any person subject to liability for the tax under subsection (d) did not know that the failure existed and exercised reasonable diligence to meet the requirements of subsection (e).

''(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

''(A) any person subject to liability for the tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), and

''(B) such person provides the notice described in subsection (e) during the 30-day period beginning on the first date such person knew, or exercising reasonable diligence would have known, that such failure existed.

''(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—

''(A) IN GENERAL.—If the person subject to liability for tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan.

''(B) TAXABLE YEARS IN THE CASE OF CERTAIN CONTROLLED GROUPS.—For purposes of this paragraph, if all persons who are treated as a single employer for purposes of this section do not have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(4) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive or otherwise inequitable relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment. The Secretary may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(A) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(B) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(3) TIMING OF NOTICE.—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) each participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.

''(3) EARLY RETIREMENT.—A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

''(g) NEW TECHNOLOGIES.—The Secretary may by regulations allow any notice under subsection (e) to be provided by using new technologies.''.

(2) CLERICAL AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

''Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.''.

(b) AMENDMENT OF ERISA.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraphs:

''(3)(A) An applicable pension plan to which paragraph (1) applies shall not be treated as meeting the requirements of such paragraph unless, in addition to any notice required to be provided to an individual or organization under such paragraph, the plan administrator provides the notice described in subparagraph (B) to each applicable individual (and to each employee organization representing applicable individuals).

''(B) The notice required by subparagraph (A) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow applicable individuals to understand the effect of the plan amendment. The Secretary of the Treasury may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(i) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(ii) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(C) Except as provided in regulations prescribed by the Secretary of the Treasury, the notice required by subparagraph (A) shall be provided within a reasonable time before the effective date of the plan amendment.

''(D) Any notice under subparagraph (A) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(E) A plan shall not be treated as failing to meet the requirements of subparagraph

(A) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(F) The Secretary of the Treasury may by regulations allow any notice under this paragraph to be provided by using new technologies.

''(4) For purposes of paragraph (3)—

''(A) The term 'applicable individual' means, with respect to any plan amendment—

''(i) each participant in the plan; and

''(ii) any beneficiary who is an alternate payee (within the meaning of section 206(d)(3)(K)) under an applicable qualified domestic relations order (within the meaning of section 206(d)(3)(B)(i)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(B) The term 'applicable pension plan' means—

''(i) any defined benefit plan; or

''(ii) an individual account plan which is subject to the funding standards of section 412 of the Internal Revenue Code of 1986.

''(C) A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of subsection (g)(2)(A)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986, and section 204(h)(3) of the Employee Retirement Income Security Act of 1974, as added by the amendments made by this section, a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL NOTICE RULE.—

(A) IN GENERAL.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

(B) REASONABLE NOTICE.—The amendments made by this section shall not apply to any plan amendment taking effect on or after the date of the enactment of this Act if, before April 25, 2001, notice was provided to participants and beneficiaries adversely affected by the plan amendment (or their representatives) which was reasonably expected to notify them of the nature and effective date of the plan amendment.

(d) STUDY.—The Secretary of the Treasury shall prepare a report on the effects of conversions of traditional defined benefit plans to cash balance or hybrid formula plans. Such study shall examine the effect of such conversions on longer service participants, including the incidence and effects of ''wear away'' provisions under which participants earn no additional benefits for a period of time after the conversion. As soon as practicable, but not later than 60 days after the date of the enactment of this Act, the Secretary shall submit such report, together with recommendations thereon, to the Committee on Ways and Means and the Committee on Education and the Workforce of the House of Representatives and the Committee on Finance and the Committee on Health, Education, Labor, and Pensions of the Senate.

SEC. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—

(1) IN GENERAL.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(2) CONFORMING AMENDMENT.—Section 415(b)(7) (relating to benefits under certain collectively bargained plans) is amended by inserting ''(other than a multiemployer plan)'' after ''defined benefit plan'' in the matter preceding subparagraph (A).

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated—

''(A) with any other plan which is not a multiemployer plan for purposes of applying subsection (b)(1)(B) to such other plan, or

''(B) with any other multiemployer plan for purposes of applying the limitations established in this section.''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 506. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

(a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

SEC. 507. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

''(a)(1) Except as provided in paragraph (2)—

''(A) the administrator of an individual account plan shall furnish a pension benefit statement—

''(i) to a plan participant at least once annually, and

''(ii) to a plan beneficiary upon written request, and

''(B) the administrator of a defined benefit plan shall furnish a pension benefit statement—

''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

''(ii) to a plan participant or plan beneficiary of the plan upon written request.

''(2) Notwithstanding paragraph (1), the administrator of a plan to which more than 1 unaffiliated employer is required to contribute shall only be required to furnish a pension benefit statement under paragraph (1) upon the written request of a participant or beneficiary of the plan.

''(3) A pension benefit statement under paragraph (1)—

''(A) shall indicate, on the basis of the latest available information—

''(i) the total benefits accrued, and

''(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

''(B) shall be written in a manner calculated to be understood by the average plan participant, and

''(C) may be provided in written, electronic, telephonic, or other appropriate form.

''(4)(A) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, telephonic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.

''(B) The Secretary may provide that years in which no employee or former employee benefits (within the meaning of section 410(b) of the Internal Revenue Code of 1986) under the plan need not be taken into account in determining the 3-year period under paragraph (1)(B)(i).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

SEC. 508. PROHIBITED ALLOCATIONS OF STOCK IN S CORPORATION ESOP.

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATIONS OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified person.

''(2) FAILURE TO MEET REQUIREMENTS.—

''(A) IN GENERAL.—If a plan fails to meet the requirements of paragraph (1), the plan shall be treated as having distributed to any disqualified person the amount allocated to the account of such person in violation of paragraph (1) at the time of such allocation.

''(B) CROSS REFERENCE.—

''For excise tax relating to violations of paragraph (1) and ownership of synthetic equity, see section 4979A.

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified persons own at least 50 percent of the number of shares of stock in the S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), individual shall be treated as owning deemed-owned shares of the individual.

Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.

''(4) DISQUALIFIED PERSON.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified person' means any person if—

''(i) the aggregate number of deemed-owned shares of such person and the members of such person's family is at least 20 percent of the number of deemed-owned shares of stock in the S corporation, or

''(ii) in the case of a person not described in clause (i), the number of deemed-owned shares of such person is at least 10 percent of the number of deemed-owned shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified person described in subparagraph (A)(i), any member of such person's family with deemed-owned shares shall be treated as a disqualified person if not otherwise treated as a disqualified person under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any person—

''(I) the stock in the S corporation constituting employer securities of an employee stock ownership plan which is allocated to such person under the plan, and

''(II) such person's share of the stock in such corporation which is held by such plan but which is not allocated under the plan to participants.

''(ii) PERSON'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), a person's share of unallocated S corporation stock held by such plan is the amount of the unallocated stock which would be allocated to such person if the unallocated stock were allocated to all participants in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

''(i) the spouse of the individual,

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any individual described in clause (ii) or (iii).

A spouse of an individual who is legally separated from such individual under a decree of divorce or separate maintenance shall not be treated as such individual's spouse for purposes of this subparagraph.

''(5) TREATMENT OF SYNTHETIC EQUITY.—For purposes of paragraphs (3) and (4), in the case of a person who owns synthetic equity in the S corporation, except to the extent provided in regulations, the shares of stock in such corporation on which such synthetic equity is based shall be treated as outstanding stock in such corporation and deemed-owned shares of such person if such treatment of synthetic equity of 1 or more such persons results in—

''(A) the treatment of any person as a disqualified person, or

''(B) the treatment of any year as a nonallocation year.

For purposes of this paragraph, synthetic equity shall be treated as owned by a person in the same manner as stock is treated as owned by a person under the rules of paragraphs (2) and (3) of section 318(a). If, without regard to this paragraph, a person is treated as a disqualified person or a year is treated as a nonallocation year, this paragraph shall not be construed to result in the person or year not being so treated.

''(6) DEFINITIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(C) SYNTHETIC EQUITY.—The term 'synthetic equity' means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that gives the holder the right to acquire or receive stock of the S corporation in the future. Except to the extent provided in regulations, synthetic equity also includes a stock appreciation right, phantom stock unit, or similar right to a future cash payment based on the value of such stock or appreciation in such value.

''(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.''.

(b) COORDINATION WITH SECTION 4975(e)(7).—The last sentence of section 4975(e)(7) (defining employee stock ownership plan) is amended by inserting '', section 409(p),'' after ''409(n)''.

(c) EXCISE TAX.—

(1) APPLICATION OF TAX.—Subsection (a) of section 4979A (relating to tax on certain prohibited allocations of employer securities) is amended—

(A) by striking ''or'' at the end of paragraph (1), and

(B) by striking all that follows paragraph (2) and inserting the following:

''(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

''(4) any synthetic equity is owned by a disqualified person in any nonallocation year,

there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.''.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended to read as follows:

''(c) LIABILITY FOR TAX.—The tax imposed by this section shall be paid—

''(1) in the case of an allocation referred to in paragraph (1) or (2) of subsection (a), by—

''(A) the employer sponsoring such plan, or

''(B) the eligible worker-owned cooperative, which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

''(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.''.

(3) DEFINITIONS.—Section 4979A(e) (relating to definitions) is amended to read as follows:

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) DEFINITIONS.—Except as provided in paragraph (2), terms used in this section have the same respective meanings as when used in sections 409 and 4978.

''(2) SPECIAL RULES RELATING TO TAX IMPOSED BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (a).—

''(A) PROHIBITED ALLOCATIONS.—The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

''(B) SYNTHETIC EQUITY.—The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

''(C) SPECIAL RULE DURING FIRST NONALLOCATION YEAR.—For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

''(D) STATUTE OF LIMITATIONS.—The statutory period for the assessment of any tax imposed by this section by reason of paragraph (3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

''(i) the allocation or ownership referred to in such paragraph giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such allocation or ownership.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2004.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after March 14, 2001, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

the amendments made by this section shall apply to plan years ending after March 14, 2001.

TITLE VI—REDUCING REGULATORY BURDENS

SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (9) of section 412(c) (relating to annual valuation) is amended to read as follows:

''(9) ANNUAL VALUATION.—

''(A) IN GENERAL.—For purposes of this section, a determination of experience gains and losses and a valuation of the plan's liability shall be made not less frequently than once every year, except that such determination shall be made more frequently to the extent required in particular cases under regulations prescribed by the Secretary.

''(B) VALUATION DATE.—

''(i) CURRENT YEAR.—Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) ELECTION TO USE PRIOR YEAR VALUATION.—The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) ADJUSTMENTS.—Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENT OF ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)''; and

(2) by adding at the end the following:

''(B)(i) Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan; and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

(b) STANDARDS FOR DISALLOWANCE.—Section 404(k)(5)(A) (relating to disallowance of deduction) is amended by inserting ''avoidance or'' before ''evasion''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 2001.

SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401(k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan; and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401(k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning advice or information provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 606. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury and the Secretary of Labor shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $250,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated); or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation);

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business;

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses);

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control; and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of plan years beginning after December 31, 2002, the Secretary of the Treasury and the Secretary of Labor shall provide for the filing of a simplified annual return for any retirement plan which covers less than 25 employees on the first day of a plan year and which meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2).

(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2002.

SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program;

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures;

(3) extending the duration of the self-correction period under the Administrative Policy Regarding Self-Correction for significant compliance failures;

(4) expanding the availability to correct insignificant compliance failures under the Administrative Policy Regarding Self-Correction during audit; and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 608. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test; and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2003, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—

(1) Subparagraph (G) of section 401(a)(5) of the Internal Revenue Code of 1986 and subparagraph (H) of section 401(a)(26) are each amended by striking ''section 414(d))'' and all that follows and inserting ''section 414(d)).''.

(2) Subparagraph (G) of section 401(k)(3) and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by striking ''maintained by a State or local government or political subdivision thereof (or agency or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subparagraph (G) of section 401(a)(5) is amended to read as follows: ''GOVERNMENTAL PLANS.—''.

(2) The heading for subparagraph (H) of section 401(a)(26) is amended to read as follows: ''EXCEPTION FOR GOVERNMENTAL PLANS.—''.

(3) Subparagraph (G) of section 401(k)(3) is amended by inserting ''GOVERNMENTAL PLANS.—'' after ''(G)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—

(A) IN GENERAL.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''180-day''.

(B) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''180 days'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(2) AMENDMENT OF ERISA.—Section 205(c)(7)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)(A)) is amended by striking ''90-day'' and inserting ''180-day''.

(3) EFFECTIVE DATE.—The amendments made by paragraph (1)(A) and (2) and the modifications required by paragraph (1)(B) shall apply to years beginning after December 31, 2001.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

SEC. 612. ANNUAL REPORT DISSEMINATION.

(a) REPORT AVAILABLE THROUGH ELECTRONIC MEANS.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by adding at the end the following new sentence: ''The requirement to furnish information under the previous sentence shall be satisfied if the administrator makes such information reasonably available through electronic means or other new technology.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 2000.

SEC. 613. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001, 2005, and 2009 in the month of September of each year involved'';

(2) in subsection (b), by adding at the end the following new sentence: ''To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council.'';

(3) in subsection (e)(2)—

(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (D) and inserting ''Committee on Health, Education, Labor, and Pensions'';

(B) by striking subparagraph (F) and inserting the following:

''(F) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(4) in subsection (e)(3)(A)—

(A) by striking ''There shall be no more than 200 additional participants.'' and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in clause (i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'', and by striking ''and'' at the end of clause (i);

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in clause (ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'', and by striking the period at the end of clause (ii) and inserting ''; and'';

(D) by adding at the end the following new clause:

''(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.'';

(5) in subsection (e)(3)(B), by striking ''January 31, 1998'' in subparagraph (B) and inserting ''May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively'';

(6) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'' in paragraph (1)(C);

(7) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'';

(8) in subsection (i)—

(A) by striking ''beginning on or after October 1, 1997'' in paragraph (1) and inserting ''2001, 2005, and 2009''; and

(B) by adding at the end the following new paragraph:

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions accepted in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.''; and

(9) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract on a sole-source basis''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001, 2005, and 2009''.

TITLE VII—OTHER ERISA PROVISIONS

SEC. 701. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

''(1) TRANSFER TO CORPORATION.—The plan administrator of a plan described in paragraph (4) may elect to transfer a missing participant's benefits to the corporation upon termination of the plan.

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

''(ii) which is not a plan described in paragraphs (2) through (11) of section 4021(b), and

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

''(5) CERTAIN PROVISIONS NOT TO APPLY.—Subsections (a)(1) and (a)(3) shall not apply to a plan described in paragraph (4).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 702. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by two or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 703. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

''(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''.

(b) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)), as amended by section 702(b), is amended—

(1) by striking ''The'' in subparagraph (E)(i) and inserting ''Except as provided in subparagraph (G), the'', and

(2) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed $5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

''(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor's controlled group. In the case of a plan maintained by two or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether the 25-or-fewer-employees limitation has been satisfied.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2001.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2001.

SEC. 704. AUTHORIZATION FOR PBGC TO PAY INTEREST ON PREMIUM OVERPAYMENT REFUNDS.

(a) IN GENERAL.—Section 4007(b) of the Employment Retirement Income Security Act of 1974 (29 U.S.C. 1307(b)) is amended—

(1) by striking ''(b)'' and inserting ''(b)(1)'', and

(2) by inserting at the end the following new paragraph:

''(2) The corporation is authorized to pay, subject to regulations prescribed by the corporation, interest on the amount of any overpayment of premium refunded to a designated payor. Interest under this paragraph shall be calculated at the same rate and in the same manner as interest is calculated for underpayments under paragraph (1).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accruing for periods beginning not earlier than the date of the enactment of this Act.

SEC. 705. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following new paragraph:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following new subsection:

''(d) For purposes of subsection (b)(9), the term 'substantial owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2001, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on January 1, 2002.

SEC. 706. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended to read as follows:

''(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from any fiduciary or other person (or from any other person on behalf of any such fiduciary or other person) with respect to a breach or violation described in paragraph (1) on or after the 30th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under subsection (a)(2) or (a)(5). The Secretary may, in the Secretary's sole discretion, extend the 30-day period described in the preceding sentence.''.

(c) OTHER RULES.—Section 502(l) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)) is amended by adding at the end the following new paragraph:

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of enactment of this Act.

(2) TRANSITION RULE.—In applying the amendment made by subsection (b) (relating to applicable recovery amount), a breach or other violation occurring before the date of enactment of this Act which continues after the 180th day after such date (and which may have been discontinued at any time during its existence) shall be treated as having occurred after such date of enactment.

SEC. 707. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under section 203(a)(3)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that the notification required by such regulation—

(1) in the case of an employee who returns to work for a former employer after commencement of payment of benefits under the plan shall—

(A) be made during the first calendar month or payroll period in which the plan withholds payments, and

(B) if a reduced rate of future benefit accruals will apply to the returning employee (as of the first date of participation in the plan by the employee after returning to work), include a statement that the rate of future benefit accruals will be reduced, and

(2) in the case of any employee who is not described in paragraph (1)—

(A) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(B) need not include a copy of the relevant plan provisions.

(b) EFFECTIVE DATE.—The modification made under this section shall apply to plan years beginning after December 31, 2001.

SEC. 708. STUDIES.

(a) MODEL SMALL EMPLOYER GROUP PLANS STUDY.—As soon as practicable after the date of the enactment of this Act, the Secretary of Labor, in consultation with the Secretary of the Treasury, shall conduct a study to determine—

(1) the most appropriate form or forms of—

(A) employee pension benefit plans which would—

(i) be simple in form and easily maintained by multiple small employers, and

(ii) provide for ready portability of benefits for all participants and beneficiaries,

(B) alternative arrangements providing comparable benefits which may be established by employee or employer associations, and

(C) alternative arrangements providing comparable benefits to which employees may contribute in a manner independent of employer sponsorship, and

(2) appropriate methods and strategies for making pension plan coverage described in paragraph (1) more widely available to American workers.

(b) MATTERS TO BE CONSIDERED.—In conducting the study under subsection (a), the Secretary of Labor shall consider the adequacy and availability of existing employee pension benefit plans and the extent to which existing models may be modified to be more accessible to both employees and employers.

(c) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Secretary of Labor shall report the results of the study under subsection (a), together with the Secretary's recommendations, to the Committee on Education and the Workforce and the Committee on Ways and Means of the House of Representatives and the Committee on Health, Education, Labor, and Pensions and the Committee on Finance of the Senate. Such recommendations shall include one or more model plans described in subsection (a)(1)(A) and model alternative arrangements described in subsections (a)(1)(B) and (a)(1)(C) which may serve as the basis for appropriate administrative or legislative action.

(d) STUDY ON EFFECT OF LEGISLATION.—Not later than 5 years after the date of the enactment of this Act, the Secretary of Labor shall submit to the Committee on Education and the Workforce of the House of Representatives and the Committee on Health, Education, Labor, and Pensions of the Senate a report on the effect of the provisions of this Act on pension plan coverage, including any change in—

(1) the extent of pension plan coverage for low and middle-income workers,

(2) the levels of pension plan benefits generally,

(3) the quality of pension plan coverage generally,

(4) workers' access to and participation in pension plans, and

(5) retirement security.

TITLE VIII—PLAN AMENDMENTS

SEC. 801. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A); and

(2) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this Act, or pursuant to any regulation issued under this Act; and

(B) on or before the last day of the first plan year beginning on or after January 1, 2004.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2006'' for ''2004''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan); and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect; and

(B) such plan or contract amendment applies retroactively for such period.

The SPEAKER pro tempore. Pursuant to House Resolution 127, the gentleman from Massachusetts (Mr. NEAL) and a Member opposed each will control 30 minutes.

Does the gentleman from Ohio (Mr. PORTMAN) seek to control the time in opposition to the amendment?

Mr. PORTMAN. I do, Mr. Speaker.

The SPEAKER pro tempore. The gentleman from Ohio (Mr. PORTMAN) will be recognized.

The Chair recognizes the gentleman from Massachusetts (Mr. NEAL) for 30 minutes.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would like to begin by pointing out that this amendment is being offered by myself, the gentleman from New York (Mr. RANGEL), the gentleman from New Jersey (Mr. ANDREWS), and the gentleman from Massachusetts (Mr. TIERNEY).

The amendment is comprised of three parts, and is the same as the amendment I offered in the Committee on Ways and Means last week.

In the last hour, we have really gone through a very helpful debate. I think it demonstrates that we are not as far apart on this legislation as some might think.

Even though our differences may not be that large, they remain substantial for low- and moderate-income workers. As I said earlier, if we do not deal with the issue of providing direct incentives for small businesses to offer pension plans and direct incentives for workers to participate, then we are going to be right back here again in the near future arguing over these same issues.

While 70.8 percent of workers with adjusted gross incomes between $75,000 and $100,000 participate in an employer pension plan, only 17.9 percent of those workers whose gross adjusted income is between $10,000 and $15,000 participate.

The current system clearly fails these workers with little or no disposable income. I do not believe that H.R. 10 in its current form will achieve much success with these workers, as well. This amendment deals with these issues by establishing a refundable retirement savings credit for low- and moderate-income workers. The purpose is to encourage those who have little if any disposable income to make the effort to save, or if they can, to save even more. The credit would be up to 50 percent of annual contributions to a traditional individual retirement account or to a qualified pension plan like a 401(k), 403(b), or a 457 plan.

It is important to understand that this amendment does not establish a new savings vehicle. It only establishes an incentive to use current pension vehicles. The eligible contribution would not exceed $2,000, thus resulting in a maximum credit of $1,000 when the proposal is fully phased in. The credit amount phases down as income increases, phasing out at $75,000 for a married couple.

The two other credits that would be added to the bill would reward small businesses for establishing new pension plans. Many small employers would like to establish qualified pension plans for their employees but they need some help in getting there.

We are all aware of how small employers struggle to attract and retain quality employees, particularly today. They can be successful in this effort only if they can compete with large businesses and the benefits they offer to their employees. Moreover, the 38 million employees who work in small businesses deserve the same secured retirement as employees in large businesses. Yet, pension coverage of this group of workers continues to lag behind the coverage available for employees of large companies.

In a recent survey conducted by the Employee Benefit Research Institute, 65 percent of small employers stated that the availability of tax credits was a significant factor in their decision on whether to offer a pension plan to their employees, second only to an increase in business profits.

Sixty-five percent is a most substantial number. Clearly the two small business credits in the amendment would go a long way to increasing the number of small business pension plans. The gentleman from Ohio (Mr. PORTMAN) acknowledged this in the committee debate.

The first small business credit would provide a tax credit for expenses incurred by small businesses, employers with 100 or fewer employees, for costs associated with starting up new pension plans. Under this credit, small employers would be eligible to claim a 3-year tax credit for an amount equal to 50 percent of administrative and retirement education expenses incurred as a result of offering a new qualified pension plan.

Eligible expenses for the credit would be capped at $2,000 for the first year and $1,000 for the second and third years.

The second small business credit would allow these same employers to be eligible for a tax credit for employer contributions to a pension plan. This credit would be equal to 50 percent of the employer contributions to a qualified retirement plan made on behalf of their non-highly-compensated employees. Qualifying contributions would be both non-elected employer contributions and employer matching contributions, up to a total of 3 percent of compensation for non-highly-compensated employees.

This is important to hear, Mr. Speaker. The additional cost of this amendment is $46 billion over 10 years. When coupled with the cost of H.R. 10, the total cost remains under $100 billion. We have managed to fit that into our $900 billion tax cut proposal on the Democratic side. Surely the other side would not be asking too much if they could put that into the $1.6 trillion tax cut that they have offered. It is simply today a matter of political will.

I would predict when the legislation comes back from the Senate, it will involve at least one and perhaps two of these amendments.

In conclusion, let me say what I have said repeatedly, I think the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) did a good job with this legislation. I have supported expanding IRA limits since the day I arrived in the House 13 years ago, and along with the gentleman from California (Mr. THOMAS), carried the ROTH IRA in the House.

There are many good provisions in this bill. But at the same time, we have a remarkable opportunity today. With just a couple of small changes on the edges, which the gentleman from Ohio (Mr. PORTMAN) has at least grudgingly acknowledged in committee were worthwhile, we could pass this bill today almost unanimously here.

If we do not accept this challenge today, we are going to be back here next year and the year after and the year after.

I do not know what is so difficult today about addressing a couple of small issues that would allow low- and moderate-income Americans who go to work every day to participate in a good and predictable retirement savings plan. I know in his heart that the gentleman from Ohio (Mr. PORTMAN) would really like to do that today. He has that opportunity with simply a nod to move on his side, and I hope that as this debate proceeds for the next few minutes we will have a chance to say, look, there are many portions of this bill that are indeed desirable, but there are also two small portions of this bill on which we could improve upon today.

Mr. Speaker, I reserve the balance of my time.

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I applaud my friend, the gentleman from Massachusetts, for his concern about expanding pension coverage to low- and moderate-income Americans. That is, as he knows, precisely what we are trying to do in this underlying legislation.

The small changes around the edges that he was just talking about happen to just about double the cost of the

bill. The underlying bill is about $52 billion over 10 years, which we hope to be able to fit into the reduced tax bill number. The amendments the gentleman is offering through the substitute add another $45 billion, taking it up to $97 billion over 10 years, so it is doubling the cost. These are not small changes.

In terms of the changes, I do like the start-up credit, which is $177 million over the 10-year period. The other two, the employer credit, which is $5.4 billion, and the individual credit, $35.5 billion, I have problems with.

The gentleman mentioned that the Senate is likely to add these. I think the Senate is likely to do something in terms of the small business start-up, which is, again, a relatively small part. It is tinkering around the edges, I believe, in terms of the costs and impact it will have, but it is important for small business.

But I do not think they are going to do the employer credit or the individual credit. I say that because legislation that was introduced on a bipartisan basis in the Senate by the Chair and ranking members of the Finance Committee did not include a refundable tax credit. It was a nonrefundable credit at a much lower cost, as a result.

Second, on the merits of this, having a refundable tax credit does create a new entitlement program. At a time when we are struggling to try to make the earned income tax credit work in terms of the compliance costs, and the Treasury Department under the Clinton administration told us there was a mispayment of about 25 percent under that program, I think it would be ill advised for us to start a new entitlement program until we have at least tried some of these other things that we are talking about under this proposal.

What we are talking about in this proposal is primarily expanding pension coverage to small- and mid-sized businesses where there is very little coverage today.

Again, I commend the gentleman for focusing on that, but that is what we do in our underlying legislation. This is where most of the low- and moderate-income workers are working today, where the folks are working who do not have pension coverage. We are trying to do this through the increased limits in this legislation, through the complexity provisions, which are very important to get at the costs and burdens. We know from the surveys that have been done they will help to expand coverage.

Also, though in terms of the portability provisions, there will be faster vesting. All of this is going to help precisely the people that the gentleman's refundable tax credit is aimed at, and without all of the complexity and all of the compliance problems that are inherent in that kind of a problem.

Finally, on the business tax credit, which is the third piece of the gentleman's proposal today, I have some concerns about how that would work. It does not cover the plans that many small businesses use, the SIMPLE plan, the SEP plan, in any way. It also does not cover some of the other plans, the 403(b)s, 457s, and so on. It also would be very difficult for businesses to administer the way in which this credit is put together.

The Clinton administration Treasury Department had some of these changes they wanted to see to our underlying legislation. We thought they were ill-advised because they went the wrong way, adding more complexity, more regulation and regulations.

□ 1345

So I do not think this is the way to do it.

Instead, let us stick to the underlying bill, of which I appreciate the gentleman's support. It is focused exactly on these workers, focused on trying to expand the coverage to the small companies. Remember, only 19 percent of companies with 25 or fewer employees offer any kind of pension today. Those are the people we are trying to help. Those are the people we are trying to encourage and incentivize to offer a plan.

So I hope we can stick to that today, rather than doubling the cost of the bill with something that is not tested, something that is going to create a lot more complexity.

Mr. Speaker, I reserve the balance of my time.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself 30 seconds.

That is precisely the point. We can fit $100 billion into a $900 billion tax cut proposal on the Democratic side, and the gentleman from Ohio (Mr. PORTMAN) has acknowledged they find difficulty in including it in a $1.6 trillion tax cut, even though, as he has pointed out, and again I think in a very sincere form, that there is at least part of this he believes at the end of the day is desirable.

Mr. Speaker, I yield 3 minutes to the gentleman from Michigan (Mr. LEVIN).

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, I wanted to join the debate because it is an important debate. Pension reform and expansion are clearly necessary. There are some very strong provisions in this bill, and I think we all appreciate the work of the chief sponsors of this.

I do, though, want to very much rise in support of the amendment of the gentleman from Massachusetts (Mr. NEAL) and address the underlying reasons for it and to respond to some of the criticisms.

We all agree the savings rate needs to be increased, and I hope we all agree that we want more and more people into this effort. Two-thirds of the cost of this bill are the IRA expansion. Two-thirds. I asked the Joint Tax Committee to put together an analysis of the impact of this, and they did not have it before; but they have now provided it. Essentially what they show is that two-thirds, two-thirds, of the benefit would go to families making $75,000 or more.

So, essentially, we have a bill two-thirds of it IRAs and two-thirds of the benefit going to families with incomes of $75,000 and more. Almost half would go to families with incomes of $100,000 or more. And those are not all rich people. Many of these families, $75,000 or $100,000, they are hard working. In most cases both husband and wife are working, and they are earning their income. They are not just clipping coupons.

But, look, that is the fact; that most of the benefit of most of the cost of this would go to families making $75,000 and more. And, essentially, I think this undercuts the notion that this is a bill aimed at mainly low- and middle-income families. Surely not low-income families and surely not most middle-income families.

What the gentleman from Massachusetts (Mr. NEAL) is suggesting is that we expand this bill so that we try to bring everybody into the system, and that is a very good idea. And to suggest that a tax credit is a bad idea because of the error rate, we have argued this endlessly within Ways and Means. The EITC error rate has been going down. It is not clear it is much higher than a lot of other error rates.

And there is the argument that tax credits are suspect. The majority leader here has proposed a refundable health insurance tax credit. If it is good enough for health insurance, I would think it is good enough for a pension program.

So I would hope we would take this seriously and that we would pass it. At the least, if the majority here is not going to vote for it, is going to march in lockstep against it, I hope there will be adequate numbers of people voting for this so we send a message to the Senate that they should try to do better. We can do better than this.

The strong provisions in this bill can be enhanced by spreading the net of pension reform and pension participation to millions of other workers and millions of other families in the United States of America. That is good public policy. So I would hope we would pass this amendment as part of this bill which will certainly pass the House.

Mr. PORTER. Mr. Speaker, I yield 3½ minutes to the gentleman from Florida (Mr. SHAW), a member of the Committee on Ways and Means, chairman of the Subcommittee on Social Security.

Mr. SHAW. Mr. Speaker, I thank the gentleman for yielding me this time.

I think it is important to point out that there is great bipartisan support for the underlying bill in this Chamber. And although it does have broad bipartisan support, we have heard a few of our colleagues say that the proposed reforms in this bill are a giveaway to

those who are already wealthy; that this bill will make it less likely rather than more likely that companies will sponsor plans.

For the last 20 years, we have heard that cutbacks in benefits and contribution limits and so-called top-heavy and other provisions were necessary to increase plan coverage and benefits for the most vulnerable employees. So what has happened? Approximately 50 million Americans now lack private pension coverage, while senior executives have made increasing use of nonqualified plans.

Since 1985, the number of defined benefit pension plans has dropped from 114,000 to 45,000. In 1993, the year after Congress reduced the compensation limit for calculating pension benefits from $235,425 to $150,000, the number of companies in nonqualified plans tripled from 20 to 67 percent.

Only 20 percent of small businesses with 25 or fewer workers now offer a retirement plan. Our savings rate is one-half of 1 percent, which is the lowest level since the Great Depression. Seventy-six million baby boomers will retire within the next 10 years. But studies show older baby boomers have less than 40 percent of the savings needed to avoid a decline in their standard of living after they retire.

Social Security was never designed to be the sole source of retirement income. It was intended to be one leg of a three-legged stool that included employer-sponsored retirement plans and individual savings. This bill will restore the incentive for qualified plans and increase savings, which will benefit all American workers.

The bill restores the contribution and benefit amounts to what they would have been had they not been repeatedly cut back. In order for highly paid employees to take advantage of the higher limits and still pass the nondiscrimination test, companies will have to provide greater benefits to all other workers. The bill's simplifications of the top-heavy and nondiscriminatory rules do not weaken the protection afforded to our workers.

My colleagues also give little attention to the large number of measures in the bill that are specifically designed to promote the retirement security of rank-and-file workers. The bill reduces the vesting period for employer-matching contributions from 5 to 3 years, ensuring that amounts are not forfeited when workers change jobs or leave the workforce for care of their children.

Workers 50 years and older can make additional catch-up contributions to their retirement plan. The security of the private employer-sponsored retirement system will be strengthened when all workers, regardless of income level, share a significant stake in their same retirement plan. This bill provides positive incentives for employers to do exactly that.

And I would hope that the gentleman from Massachusetts would review his speech and review this particular bill when we bring out individual retirement accounts for American workers as part of Social Security. It is the key to saving Social Security, and I think the refundable tax credit going into individual retirement accounts is something I look forward to the gentleman supporting.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself 30 seconds.

There was no one on this side who said that this was a giveaway to the rich in the 2 hours of debate that we have been pursuing here. I think, instead, we suggested it was not a balanced proposal, in the sense that the very people that the gentleman from Florida (Mr. SHAW) has referenced here, people that make under $30,000 a year, they are the ones that depend upon Social Security.

We are never going to have a healthy discussion about Social Security and its future in this country as long as we leave those people out of defined pension benefit plans.

Mr. Speaker, I yield 3 minutes to the gentleman from North Dakota (Mr. POMEROY), one of the experts in the House on retirement savings plans, a friend and a member of the Committee on Ways and Means, and a very competent individual.

Mr. POMEROY. Mr. Speaker, I thank the gentleman for yielding me this time and for his kind remarks. I believe he has made a significant contribution to the debate today by offering the substitute, which I intend to support.

As I said when we considered this last Congress, the problem with Portman-Cardin is not what is in the bill, the problem is what is left out. And what is left out is a more meaningful incentive to those who are having the most difficult time saving, moderate-earning households, that simply do not have adequate discretionary income. For that reason we have structured the substitute as an additive proposal. It takes all of Portman-Cardin and adds this to it.

After all, the last two Congresses have passed a variety of new incentives for saving for retirement, but have done virtually nothing for the $50,000 and below household who already had the tax deductible IRA. I think we ought to look at what is actually happening out there.

In a recent study commissioned by the Consumer Federation of America, and conducted by Ohio State economist Catherine Montalto, indicates exactly the problem. Only 44 percent of households in this country are saving at a rate that will provide them an adequate retirement income. Not surprisingly, that is differentiated exactly along earnings lines. Twenty-three percent of those earning between $10,000 and $25,000 have adequate savings; one out of four, one out of four of those earning below $25,000. Fifty-four percent of those $50,000 to a $100,000 households have adequate savings; 69 percent of those over $100,000.

Now that tells us that right across the board we have a lot of work to do, but nowhere do we have more work to do in this than in the plight of moderate- to middle-earning households. For me, the situation for this Congress is to basically pay now or pay later. Either we enhance the ability of these families to accumulate some of their own assets in retirement savings, help them accumulate assets to pay for their own retirement income security, or we are going to have to provide government programs in the future for destitute elderly that were unable to acquire savings.

Ten percent of those presently eligible are saving in IRAs. Ten percent. So for us to say, well, now you can save $5,000 as opposed to $2,000 really may fall short of what they need. If they cannot save $2,000, let me tell my colleagues, they are not going to save $5,000. We need to help them save. I believe conceptually the simplest way to do it on a universal basis is by taking that tax deduction and making a tax credit.

I would frankly structure it slightly differently than the substitute puts this provision forward, but I think the substitute offers a way for us to examine the legitimacy of strengthening savings incentives for modest-earning households. It is basically market principles. They need more incentive to save. Let us help them save, as the substitute does.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentlewoman from Connecticut (Mrs. JOHNSON), who, as chair of the Subcommittee on Oversight, was one of the people who helped draft this legislation, and continues to be very important to focusing this legislation on defined benefit plans and on small businesses.

□ 1400

Mrs. JOHNSON of Connecticut. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I rise in strong support of the underlying bill and in equally strong opposition to the amendment before us. First of all, the amendment does not take into account the remarkable effect this bill is going to have on the availability of pensions to employees across America. It particularly does not seem to notice that by making pension plans far simpler to offer to your employees, stripping out a lot of the regulation, stripping out the cost, many, many employers are going to be able to offer their employees a defined benefit pension plan.

We have seen a sharp decline in the number of defined benefit pension plans offered by employers in America in recent years because of the heavy regulation. They often require no contribution by the employee, and they guarantee you a benefit when you retire, as opposed to the defined contribution plans which only guarantee you what benefit your contribution was able to create.

Why are we helping low-income people by offering them a defined contribution plan when by expanding the number of defined benefit plans, which often do not require any contribution, we are going to create a far better option for them?

Furthermore, many defined benefit plans also do allow you to contribute. The very people that they are concerned about, the amendment is concerned about, the low-income worker who works for a small business, the person earning $10,000 to $15,000, they are the people who get the biggest bang from the tax cut. That is why our tax bill that gives those low-income workers the biggest tax break between the drop to a 10 percent bracket, the marriage penalty relief, the child relief, and the bracket drops, these are the very people who are going to get more dollars and can put those dollars into savings vehicles.

But if they put them into savings vehicles like a defined benefit plan, they will get the expander effect of the employer contribution. So this bill is dynamite for low-income workers and small businesses.

In a country where past pension policy has forced employers to drop their pensions because the regulations have been so heavy and so complicated, and the court costs so great, for a country that now has 50 percent of its working people working for employers who do not provide any pension plan at all for their employees, this bill is an imperative to pass now in the full form of its underlying legislation.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. ANDREWS), who is the ranking member on the Subcommittee on Employer-Employee Relations.

(Mr. ANDREWS asked and was given permission to revise and extend his remarks.)

Mr. ANDREWS. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I rise in support of this amendment of which I am pleased to be a cosponsor. I am a strong supporter of the underlying bill, but I believe this amendment complements the underlying bill in a very positive way. Seventy-nine percent of working Americans who work for an employer with 25 or fewer employees do not have a pension.

I think that some of those Americans will be helped by the underlying bill, but I think those who work in narrow-margin industries, that is, companies with small profit margins and particularly those people who work at the entry level, will not be largely helped by the underlying bill. They will be helped by the substitute by the gentleman from Massachusetts (Mr. NEAL).

This amendment is about the people who wait on tables and work in the child care centers and work in the retail stores. They are at the bottom of the pay grade. They are in industries where margins are very thin, and I believe we can put any amount of tax incentives for an employer in the bill, and those employees cannot because they cannot afford to reach pension coverage. A plan that says the government will match part of the contributions for these employees is one that will work.

I agree with the gentleman from North Dakota (Mr. POMEROY). We are either going to pay now or pay later. People are going to live longer, their resources are going to be stretched further. If they do not have private pension coverage, the Treasury will be called upon to meet those needs in future years. This is a wise amendment that complements the underlying bill. I urge its adoption.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. BRADY), a member of the Committee on Ways and Means, who has taken an active role on this legislation.

Mr. BRADY of Texas. Mr. Speaker, I join others in congratulating the bipartisan authors of this bill, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), because we make saving so difficult in this country. Every one of us knows that to have a good, safe retirement, we have to have a three-legged stool: Social Security that you can count on, personal savings in the bank, and a retirement plan at work.

President Bush has signaled today that he is dead serious about preserving Social Security once and for all. The timing of this bill could not be better because we are trying to address the other two legs of that stool: personal savings and retirement plans at work.

Some people call this tax relief. I disagree. I do not know why we tax people at all for savings. I think we ought to encourage them to save for their retirement, for education, for college, for health care. This is merely Washington getting out of the way and allowing people to put money aside.

I think the original bill is much stronger for small businesses and for low- and moderate-income savers because of a simple approach. Under the amendment that is proposed right now, we basically say to small businesses, if you are eligible under plan A and institute plans B, C and D, and file under E and F, you may be eligible for a partial tax credit. In other words, we will pay you to file more paperwork to endure all of this paperwork.

The Portman plan does the opposite. It says regulation complicates and frustrates savings.

We are going to remove the regulation. We are going to encourage small businesses to set up plans for their employees. We know it works because in 1984 when we started regulating these plans, the number of savings plans went from 114,000 to 45,000. We drove proven savers out of the market, and it is time to put those saving plans back into place. Low- and moderate-income people normally do not have the ability to save on their own. They save at work.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentlewoman from Ohio (Mrs. JONES).

Mrs. JONES of Ohio. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I want to commend the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN) for the underlying bill. I am on record supporting the underlying bill, but I rise in support of the Democratic substitute because I think it addresses an area that is not addressed by the underlying bill.

Since I came to Congress, a lot of people say, what are you going to be remembered for when you leave Congress. One of the things that I want to be remembered for is helping my constituents and people across the country develop economic wealth, because I believe economic empowerment is the tool that is the equalizer for all people in this country.

If we can give them economic sufficiency, then they can live in wonderful homes where they can raise their families. If we can give them economic sufficiency, they can afford to pay the taxes to support their school systems and feel good about themselves and make a decent wage and take a vacation once in awhile.

One of the keys to economic wealth development is the ability to purchase a home. The home becomes the wealth that one generation passes to the next in a low- or moderate-income family. Another way is a savings account, and one of the ways that we begin to look at or deal with low-income families who have attempted to begin the process of saving is through IDAs, where we match the income, that match the dollars that they save through saving programs. In Ohio right now, we have a wonderful program called Cleveland Saves that is being funded by the Ford Foundation to encourage low- and moderate-income families to save.

The third way is a retirement plan. It is my belief that the retirement plan under H.R. 10 does not focus in on the low- and moderate-income worker, and that the tax cut that is being proposed or is on the table does not truly benefit the low- and moderate-income worker. The only way we can assist them in creating their own retirement plan is through the adoption of the substitute bill that is being offered by my colleague, the gentleman from Massachusetts (Mr. NEAL).

It is very, very important that we start now to benefit families in low- and moderate-income areas to build retirement plans so they understand, as time goes along, they will have something in addition to Social Security to support their families.

Mr. Speaker, again I say to my colleagues, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from

Maryland (Mr. CARDIN), thank you for offering this legislation, but step a little bit to the left or a little bit to the right, whichever way you choose to express it, and adopt the Democratic substitute on top of this underlying bill, and then all Americans in this country will be able to benefit from your proposal.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota (Mr. GUTKNECHT).

Mr. GUTKNECHT. Mr. Speaker, I thank the gentleman for yielding me this time; and it is especially unusual for the gentleman from Ohio (Mr. PORTMAN) to yield to me because I rise in the uncomfortable position of opposing both the bill and the substitute, and I would like to explain why.

I am not an expert on pension policy, but I did serve on the pension commission in the State of Minnesota, and I think I know a little bit about pension policy.

Mr. Speaker, virtually everything in this bill is a good provision. Frankly, I think what the gentleman from Massachusetts (Mr. NEAL) is talking about is something that deserves serious consideration as we talk about the future of Social Security. The fatal flaw of this bill is, it fails to deal with one of the most important issues, and that is a definition of the term ''vested.''

A few minutes ago, the gentlewoman from Connecticut (Mrs. JOHNSON) said that she hoped this would mean more companies would be offering defined benefit programs. I hope that is true. The problem is, even if they offer those programs, the companies will have the chance to change those after the plan has started. This has happened to literally thousands of employees here in the United States.

It happened to many of the people in my district who worked for a great company, IBM. After they had been vested, IBM changed their pension plan from a defined benefit plan to a new, convoluted program that they call a cash balance plan. None of those employees were given a choice to stay with the plan that they were vested in.

The dictionary defines ''vested'' very clearly. It is law. It is settled. It is fixed. It is absolute, being without contingency, a vested right. If we asked every Member of Congress and every American if that is how they define ''vested,'' that is how we would define it. But that is not how the law defines it.

That is a fundamental flaw of this legislation. It is a glaring mistake that this Congress has failed to address. And my colleagues, I promise, as sure as this is spring back in Minnesota, this is going to come raining down on this Congress or future Congresses. If we do not deal with this issue, sooner or later, America is going to have hundreds of thousands of employees who thought their programs were vested, and they are going to find out that they were not.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 2 minutes to the gentleman from Vermont (Mr. SANDERS) whose pitched battle with IBM is on the cutting edge of what the gentleman from Minnesota (Mr. GUTKNECHT) just pointed out.

Mr. SANDERS. Mr. Speaker, I thank the gentleman for yielding me this time, and I want to echo the remarks of the gentleman from Mr. Minnesota (Mr. GUTKNECHT).

Mr. Speaker, I think there is a lot to be said for the underlying bill. I think the Democratic amendment makes the bill stronger, but I am going to vote against the Republican bill and the Democratic alternative because in my State and throughout this country, there are huge numbers of workers who were promised benefits when they signed up for the job, and then those benefits were taken away from them in the dead of night when the defined benefits that they had signed on for were converted into cash balance payments.

I personally regard it as an immoral outrage that IBM, among many other companies, which has a CEO that has received $175 million in compensation in a 2-year period, has $500 million in unexercised stock options, felt it necessary when they had a pension surplus to cut back on the pension promises made to tens of thousands of their workers, not to mention the health care promises made to their retirees.

Mr. Speaker, it is my intention to offer a motion to recommit, which is cosponsored by the gentleman from Minnesota (Mr. GUTKNECHT), among others, which basically says that when a company makes an agreement with a worker and promises defined benefit, that they cannot simply in the middle of the night change their minds and convert that to a cash balance payment which could cost those workers up to 50 percent of the benefits that they were promised.

All over this country there is what I call pension anxiety, and that is workers who are 50–55 years of age who are wondering whether or not they will receive the benefits, the retirement benefits, they were promised. I think they should, and I think it is unfortunate that the underlying bill and the amendment do not address this important issue.

□ 1415

Mr. PORTMAN. Mr. Speaker, I yield myself 1 minute just to respond briefly to the gentleman from Minnesota (Mr. GUTKNECHT) and the gentleman from Vermont (Mr. SANDERS). I think we will have this on a motion to recommit as well, but the point ought to be made and made very clearly that the underlying legislation actually addresses this issue. It actually moves the ball forward. It provides disclosure. It provides notification in the case of cash balance conversions. It also, as compared to last year, actually deals with the issue of early retirement, so it not only is an improvement from current law, it is an improvement from last year's bill, partly because of the comments that were made to me by the gentleman from Minnesota (Mr. GUTKNECHT), the gentleman from Vermont (Mr. SANDERS), and others. So we do address the issue, and we do it in a responsible way.

Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. ROYCE).

Mr. ROYCE. Mr. Speaker, I want to begin by thanking the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) for their effective effort to get this bill to the House floor. Let me just say that it was only a few generations ago that pensions were almost exclusive to a privileged few in this country. For too many, the golden years were marked by financial insecurity. Today, the majority of American workers and their families have the opportunity to spend their retirement years in relative comfort.

Our private pension system has played a crucial role to accomplish this turnaround. Clearly, Social Security alone is not enough. The private pension system is an indispensable part of the retirement security of American workers. I believe this bill encourages American workers to start saving for tomorrow today. I think the pension reforms we are considering will help individuals prepare for a better future. I also believe that the potential for fraud and abuse with regard to the substitute proposal is significant. I think it would certainly be very difficult to administer.

I support the underlying pension reform bill. And I think with that bill, we are raising the limit on IRA contributions, we have increased pension portability to allow workers to roll over their pension savings between plans when they change jobs, we have basically streamlined rules and regulations to make it easier for small businesses to offer pensions; and the underlying bill increases protection for workers by increasing notification and disclosure in the area of cash balance conversion compared to existing law. I think if all these changes are enacted, they will provide millions of American workers with much better tools to prepare for retirement.

Let us help Americans with their retirement security. I am pleased to be a cosponsor of this legislation. I urge my colleagues to pass H.R. 10 and oppose the substitute.

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. FOSSELLA).

(Mr. FOSSELLA asked and was given permission to revise and extend his remarks.)

Mr. FOSSELLA. Mr. Speaker, I thank the gentleman from Ohio for yielding me this time.

I think, as has been said many times today, this bill is long overdue and it is a tremendous benefit for the American people. Essentially what it does and if you ask any American, I know if you ask anybody back home in Staten Island or Brooklyn, if they are given the

opportunity to set a little more money aside for their retirement, will they take advantage of it? This bill does that. This bill for the first time in years says to that hardworking individual or two, you can take a little more money and save it for your golden years. Is that not what we should be trying to do? Should we not be empowering Americans to say that they should have the freedom to spend a little more money for their own retirement as they see fit?

We all know that different families have different needs, young, old. But we also should have a fundamental agreement that when Americans, when individuals are given the freedom to invest and to save on their own, we are doing not only them a service but we are doing the entire Nation a service. On Staten Island, for example, we have a lot of police officers, firefighters, sanitation workers, a lot of civil servants, city workers. Right now, if they decide to change careers, which is their right, they cannot roll over their contributions into another retirement plan, a 401(k) or an IRA. This bill solves that problem, giving them more freedom and more flexibility. For the carpenter, the tradesman, right now he is limited upon retirement with his benefits. This bill allows him more money. It raises that cap. Is that not what we should be trying to do?

In short, I credit the gentleman from Ohio and all Members of this body who support this legislation, because at its core it says to the American people, we trust you. We want to give you more incentives, more opportunities and more freedom to set aside your hard-earned money as you see fit for your retirement. Then you can go off and buy that second home, invest in your grandchildren's education, buy that second car but it is up to you.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 30 seconds to the gentleman from Vermont (Mr. SANDERS).

Mr. SANDERS. I thank the gentleman for yielding time.

Mr. Speaker, a moment ago the gentleman from Ohio (Mr. PORTMAN) indicated that his legislation deals with the fact that millions of workers have seen reductions in the pensions promised to them by companies converting from defined benefits to cash balance payments. I wonder if the gentleman from Ohio can be specific and tell those millions of workers who were double-crossed by large companies like IBM how his legislation is going to improve their situation.

Mr. PORTMAN. Mr. Speaker, I yield myself 30 seconds to respond to the question from the gentleman since he asked for a question on our time. What I said is accurate which is that this bill does address the question of cash balance conversions. It does so in three very important ways: number one, it addresses the issue of disclosure. It says the disclosure has to be in plain English which is also in their motion to recommit, I understand. It also addresses the issue of notification. It makes sure that not only do we have disclosure but it is notification in advance of what current law requires. It also says, as compared to last year's legislation, that changes to early retirement benefits would also have to be disclosed, which is not current legislation, not even the last year's law. My only point is that in a responsible way we have tried to address this issue, and we have done it in a bipartisan manner.

Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. KIRK), a new Member of the Congress who has spent a lot of time looking at these retirement issues.

Mr. KIRK. Mr. Speaker, I rise in support of the majority bill here. H.R. 10 has a particular provision in it which I strongly support, and, that is, the catch-up provision for individuals age 50 and above. This is particularly important for working women. The provision allows women entering the workforce, presumably after raising children, to make an additional contribution of up to $5,000 to their IRA or their 401(k) plan.

Within the next 15 years, more than 76 million baby boomers will retire. Studies have shown that older baby boomers have less than 40 percent of the savings they will need to maintain their standard of living in retirement.

For women who have chosen to raise children at home and work intermittently, their situation is even more dire. The Department of Labor estimates that less than one in every three women are covered by a retirement pension plan. These plans are proven to pay out greater benefits than Social Security, yet they are not readily available to most women and employees of small businesses. H.R. 10 will allow women approaching retirement age to save the extra money they need, or to catch up on their retirement savings lost because of time off from work. H.R. 10 truly enhances retirement pension fairness for women, an important fact that is often overlooked in discussions about this legislation.

H.R. 10 will improve the quality of life for millions of Americans during their retirement. I urge my colleagues to support these important modernizations and to oppose the substitute.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. BECERRA), a valued member of the Committee on Ways and Means.

Mr. BECERRA. Mr. Speaker, I thank the gentleman for yielding time. Let me begin by complimenting the principal authors of this legislation. I know that the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) have been working for many years to get us to this point. I want to applaud their efforts to try to improve the retirement system we have which will allow pensions to be a more fruitful vehicle for people in this country who work to have a chance to really live out their retirement in comfort.

I believe that we have reached a new age, though. This is an age where chances are a teenager has secured a credit card before he or she has secured a driver's license. With that being said, it seems to me that we have to do everything we can to make it possible for all Americans to save and not just to save but to save for their retirement.

It is time for us to make it possible for all workers in this country to engage in pension investments. Unfortunately, we are not there yet. While H.R. 10, I believe, does a tremendous job of improving those opportunities for workers who currently have access to pensions, I believe we have to go that extra mile now and talk about a lot of America's workers, principally low- and moderate-income working Americans who have not yet had the opportunity to invest in pensions. It is time for us to do that, because if we do not, we will pay the price once they retire.

Let us remember that H.R. 10 gives incentives principally through increases in opportunities to invest, to put more money in, whether it is your IRA or your 401(k). But if you do not have the money left over at the end of the year to invest, you cannot take advantage of those vehicles. It is time for us to give the incentives for lower-income workers to do exactly that, to say, I am going to save, I am going to pinch a little bit more because if I do, I am going to get a tax credit for having done so.

For that small businessman or woman who would love to be able to offer his or her workers those pension opportunities, if we give them a credit, the incentive, it is going to cost you a little bit of money but we are going to give you some of that back because we are going to give you a tax credit for having participated, what we in essence have done is said to all Americans, all workers in this country, we want you to also participate in these savings.

H.R. 10 does a tremendous job of making retirement savings even more important to the average American who wants to prepare for retirement. What we do not do through H.R. 10 is go the extra mile and talk to low- and moderate-income working Americans and say we want you to participate as well. We need to bring them into the fold. If we do not, we will pay the price in the end of the game. I think what the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) have done is a tremendous effort. I think if we pass the Neal substitute, we make this an even better bill and we do it for all Americans. I urge everyone to vote for the Neal substitute.

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I want to start by thanking the gentleman from California (Mr. BECERRA) for his comments about the underlying bill and the way in which he and other members of our

committee on the other side of the aisle have worked with us on this legislation. As I said at the outset, this has been a 4- or 5-year process, bipartisan from the start.

We have refined it through that process. We believe that this legislation, the underlying bill, addresses the problem that confronts us, which is again that half the American workforce does not have that critical third leg of the retirement savings stool which is employer-sponsored plans. We also help with regard to personal savings, the critical second leg of that stool, by expanding IRAs. Finally, as someone has said earlier today, the President today has indicated his strong interest in moving forward on that third important leg, Social Security.

All three are important. What we can do today is make tremendous progress focusing on where the most potential for gain is, and that is among our small business employers.

I have talked a little about the substitute today and some of the concerns I have with it. First is the cost. It almost doubles the size of the legislation before us. We are trying to keep this a fiscally conservative bill so that it can be part of any final tax relief package that goes to the President's desk. Second on the merits, the refundable tax credit has a number of problems in terms of its implementation, administerability and this is something that has happened over the years with the earned income tax credit.

We know from the Treasury Department in the Clinton years that the mispayment rate is about 25 percent. We do not believe getting into that kind of a program is necessary, and we think it has a lot of hazards to it particularly in the area of trying to administer it with the small business tax credits. I also have some concerns about the way in which it is drafted. It does not cover some of the plans that most small businesses use. And finally it adds some new restrictions to small businesses that we do not think are important, in fact go the wrong way in terms of loosening up the requirements and letting small business offer more of these plans to their workers.

□ 1430

Finally, I will say that the legislation, the underlying legislation, targets precisely those people that the gentleman from Massachusetts (Mr. NEAL), in a good faith effort, is attempting to target in this substitute.

Let me be more specific. Again, in the area of small business, we only have 19 percent of companies with 25 or fewer employees offering any kind of pension at all today. Those are the very people who we are targeting by, yes, lessening the restrictions, the costs, the burdens, the liabilities in these plans, by directly giving the people who make the decisions in these plans more incentives to offer the plans by increased contributions. This is the whole focus of the legislation.

Let me give some very interesting statistics. I have heard here today how low-income workers are not going to participate and so on. If an employer offers a plan, people will participate. If they build it, they will come. Among people who make $20,000 to $39,000 a year, 85 percent participate when an employer offers a plan, even a SIMPLE plan, a SEP plan, the most simple of plans. A 401(k), it is even more than that. Among people who make less than $20,000 a year, 68 percent, Mr. Speaker, over two-thirds of those people participate when an employer offers a plan.

These statistics are from the Congressional Research Service, by the way. This is not from even the Committee on Ways and Means, much less the Republican side. This is unbiased information that shows that the great potential here is to get these small business employers in plans. That is what we do. We do it through a number of different ways that I have talked about, but we also help with regard to vesting, taking it from 5 years to 3 years because these very workers tend to move jobs more quickly, more often. We do it by dramatically improving the idea that someone ought to offer a defined benefit plan. This is where the employee makes no contribution. So the low-income employees who are in companies that are now going to offer defined benefit plans, thanks to this legislation, are going to benefit directly.

We do it by a very interesting change in the law that says there should no longer be an arbitrary limit, that 25 percent of your compensation is all that can be put into a pension. Who does that hurt? That hurts the low- and moderate-income worker; well-meaning restriction put in place by this Congress. It does not make any sense because it actually erodes the ability of the low-income worker and the moderate-income worker to put what they want to put aside for their retirement. We eliminate the 25 percent of comp rule altogether.

We also have increased portability, as I said earlier, which will extremely focus on the folks who are moving around a lot, folks who now cash out their plan because when they move from job to job, say from a schoolteacher to a job in the private sector, they end up with two plans and most of those people actually cash out. We are now saying those plans can come together in a seamless way.

The point, Mr. Speaker, is this: the underlying legislation addresses the problem in the substitute. It addresses it in a conservative way in terms of the fiscal impact. It addresses it in a way that directly relates to the existing problem, what we know about it, and it has been, as I said, over the last 4 or 5 years an entirely bipartisan effort, a comprehensive look at our problems and the best ways to address them.

I urge my colleagues to vote, therefore, against the substitute and support the underlying legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, at this time I would close on our side. I want to thank the gentleman from Ohio (Mr. PORTMAN) for the quality of the debate that has taken place here today and also to thank the gentleman from New York (Mr. RANGEL) and the gentleman from California (Mr. THOMAS) because the debate in committee I thought was good as well. I also appreciate the fact that the gentleman from Ohio (Mr. PORTMAN) said just a few moments ago that he had honest information that came from the Congressional Research Bureau, that the information did not come from the Republican side or it did not come from the Committee on Ways and Means. So we do appreciate that statement that the gentleman was able to offer for us.

This has been a good debate, and it has been legitimate. There is a sincere difference of opinion here on how to proceed. I have acknowledged time and again that I believe that the underlying support for this bill is indicative of the fact that it does address many of the problems that we have spoken to in committee during the last few years.

The key question that we face today, Mr. Speaker, is essentially this: How do we get low- and moderate-income workers to be full participants in the private retirement system of this country? We must help those who are not covered by a pension plan or who are covered by a pension plan but do not participate, or those who simply cannot put enough money away in their retirement plan, although they are trying very hard to make modest contributions.

I submit that H.R. 10 as currently constructed really does not address those issues, although it does solve a number of other problems in our pension system. I believe the issue of low- and moderate-income workers needs to be faced this year, or surely we are going to be back here very soon attempting to do something. Why not do it today?

I do not think the cost is very great given the size of the tax bills both Democrats and Republicans are talking about, and I do not believe that there will be a great deal of administrative complexity surrounding the retirement saving account proposals. Workers know how much they put into their pension plans, and there is a paper trail that everybody can easily check, just like every other line on our income tax forms. Pension contributions are a document that on a taxpayer's W–2 form right now, contributions under my RSA proposal, would receive the same scrutiny and treatment.

H.R. 10 increases contribution limits on individual retirement accounts and on qualified pension plans in hopes that business owners will bring other

employees along as they take advantage of these new provisions. The gentleman from California (Mr. THOMAS) and I pursued this last year, the Roth IRA. I do not object to that at all, but the underlying tone of this debate today is, maybe so but maybe not so as well. Either way, it simply makes sense to give small business owners a direct incentive to offer pension plans to their employees.

Tax credits to cover the part of administrative costs of opening up a new pension plan and tax credits to help employers with the cost of making contributions on behalf of their employees in the early years simply makes very good sense.

In fact, it makes so much sense that these issues are going to be in the conference report one way or another.

I would urge us today to do it right now in the next half hour to 45 minutes. I hope my colleagues will support the substitute. It is anything but partisan. It speaks to a legitimate interest that we all have, and that is how do we get low- and moderate-income workers into a bona fide retirement plan? The proposal before us is a sound one. With this substitute, we can improve upon the work of the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN). I would ask a favorable consideration at the right time.

Mr. Speaker, I yield back the balance of my time.

Mr. PORTMAN. Mr. Speaker, I would like to commend the gentleman from Massachusetts (Mr. NEAL) for a good debate here on the floor, and I yield the remainder of our time to the distinguished gentleman from Texas (Mr. ARMEY), the majority leader. There is no Member of Congress in leadership or otherwise, Mr. Speaker, who is more committed to passage of this legislation and has been more helpful to it than the gentleman from Texas (Mr. ARMEY).

The SPEAKER pro tempore (Mr. QUINN). The gentleman from Texas (Mr. ARMEY), the majority leader, is recognized for 3 minutes.

Mr. ARMEY. Mr. Speaker, I thank the gentleman from Ohio (Mr. PORTMAN) for yielding me this time, and I thank the gentleman from Massachusetts (Mr. NEAL) for his comments.

Mr. Speaker, I would have and had planned to be here to speak in the general debate on the underlying bill but was called to the White House to discuss the overall budget circumstances, the overall tax bill. So if I may just take a moment to apologize to the gentleman from Massachusetts (Mr. NEAL) for speaking about the underlying bill during time on his substitute.

At the White House, of course, we are very excited and enthusiastic about the possibility of completing the budget, which we may expect to see on the floor tomorrow, and then subsequently to move forward and talk about the reduction in taxes that we have available for the American people within that some $1.3 trillion over the next 10 years.

As I approached that discussion, I looked at all the things that we are trying to accomplish in tax reduction, and the fact of the matter is we have so much to do and so little room within $1.3 trillion to accomplish it all. Certainly we want to set some things right, end the marriage penalty and the death taxes; reduce rates across the board on all taxpayers who are overtaxed.

I was acutely aware that one of my personal objectives, my second highest priority for what I would expect to be in that package, is this exact bill. I wanted to thank the gentleman from Ohio (Mr. PORTMAN) for bringing this bill forward, as he has remained faithful to it.

Why do I feel so strongly about this? Because like the other things we try to do, it speaks to the heart and the objectives and the hopes and the dreams of the American family. The American working man and woman get a bum rap every now and then from the pundits, the commentators. All too often I hear that America is a Nation of people that are poor savers. That is not fair. That is not right. We are a Nation of people that understand our hopes and dreams for a lifetime, and we understand that in our younger working years a very big part of what we may do then and now is to care for what we will be able to have as resources in our older years and, therefore, saving is important to us, but we struggle. We struggle in all those younger years when we have our young children to raise and all the expenses and all the things we would like to accomplish, in the building of a home, sometimes the building of a business, for some opportunity to save, against the fact that all too often we are asked to save after-tax dollars. What this bill is doing to some extent is saying, let us get the Government out of the way. Remove the Government from between a person and their dream by giving them an enhanced opportunity to save tax-exempt dollars in the current time period and catch up with that later but now to get that money forward.

So the first reason I like this bill is it enhances our opportunity for saving, first by expanding the opportunity to take tax-exempt dollars to our savings accounts. It also enhances our opportunity by removing government red tape and giving more institutions, more small businesses in particular, more opportunity to offer savings as an option at the world of work for these men and women.

Yes, it increases the dollars. It expands the opportunity by dealing with those spouses in America, most of whom are women, who choose to make their living for their family at home, where they specialize in what I like to call the things one does for love and their pay is not there in the form of a paycheck, who are today, under today's laws, foreclosed from equal access to savings opportunity with women who choose to work outside the home.

It should be only fair that we give everybody an equal opportunity of this chance to save for their retirement years, irrespective of how they make their living for their family, outside the house doing, of course, important things, or back home and doing at least what we would have to recognize as the more heartwarming things, if not indeed the more important things.

Then the final thing that I like about this, especially in today's world of work, where we have so much mobility, is the opportunity for one to feel free to move from this job to a better job, from this employer to a better employer, to a new opportunity and take their pension with them. This portability feature is important. So this is a good bill.

There are a couple of problems I have with the substitute. I will just mention them: one, as soon as one moves from a tax exemption to a tax credit, one deals the Government back in. What we are trying to do is get the Government of the United States out from between the American citizen and their savings hopes. As soon as the Government is back in, the Government will reintroduce its red tape; and we will be back to where we were with a complicated system of government regulations.

The other is the cost. I am committed, with my highest sense of priority, to not only passing this bill today but to seeing this bill included in the reconciliation package that will result in real tax enacted in law signed by the President in the next few weeks. It is going to be tough enough for me to say to everybody with all their other priorities, move over and let Portman-Cardin have their place in here. It is just, unfortunately, not something we could do if it was carrying that larger price tag.

So let us recognize we have a good effort here, an effort that is doable and when it is doable for us to accomplish the right thing to do for the good and true working men and women of this country, to help them on their own terms with their own resources fulfill their own dreams. We ought to do it. So I would ask my colleagues, please, vote against the substitute. Vote for the bill, and let us get about the business of making more savings opportunities more richly available for more working men and women in this country.

Mr. HEFLEY. Mr. Speaker, I am opposed to the Substitute Amendment. Americans should be allowed to prepare for their own retirement and should be encouraged to do so. The national savings rate is at an all time low. We must improve our retirement plans so that Americans may take full advantage of the opportunities that they provide.

H.R. 10 expands and strengthens our nation's private retirement savings system, making it easier for Americans to save. The Substitute only creates a costly new entitlement program. The Substitute Amendment adds

three new tax credits to H.R. 10, which only complicate the Tax Code. A new refundable tax credit for savers, as proposed in the Substitute, would be difficult to monitor. Also, the Substitute includes new Small Business Tax Credits. Employers could only claim these credits for three years, reducing their value as incentives to start and maintain plans. H.R. 10 already helps small businesses by reducing administrative burdens.

H.R. 10 simplifies the administrative rules that apply to retirement plans. The Substitute Amendment only complicates the rules. H.R. 10 encourages individual retirement savings by providing greater pension simplification and increased savings opportunities. For these reasons and more, I encourage my colleagues to support H.R. 10 and oppose this Amendment.

□ 1445

The SPEAKER pro tempore (Mr. QUINN). Pursuant to House Resolution 127, the previous question is ordered on the bill, as amended, and on the amendment in the nature of a substitute offered by the gentleman from Massachusetts (Mr. NEAL).

The question is on the amendment in the nature of a substitute offered by the gentleman from Massachusetts (Mr. NEAL).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. NEAL of Massachusetts. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 207, nays 223, not voting 1, as follows:

[Roll No. 94]

YEAS—207

Abercrombie	Conyers	Hall (TX)
Ackerman	Costello	Harman
Allen	Coyne	Hastings (FL)
Andrews	Cramer	Hill
Baca	Crowley	Hilliard
Baird	Cummings	Hinchey
Baldacci	Davis (CA)	Hinojosa
Baldwin	Davis (FL)	Hoeffel
Barcia	Davis (IL)	Holden
Barrett	DeFazio	Holt
Becerra	DeGette	Honda
Bentsen	Delahunt	Hooley
Berkley	DeLauro	Hoyer
Berman	Deutsch	Inslee
Berry	Dicks	Israel
Bishop	Dingell	Jackson (IL)
Blagojevich	Doggett	Jackson-Lee (TX)
Blumenauer	Dooley	Jefferson
Bonior	Doyle	John
Borski	Edwards	Johnson, E. B.
Boswell	Engel	Jones (OH)
Boucher	Eshoo	Kanjorski
Boyd	Etheridge	Kaptur
Brady (PA)	Evans	Kennedy (RI)
Brown (FL)	Farr	Kildee
Brown (OH)	Fattah	Kilpatrick
Capps	Filner	Kind (WI)
Capuano	Ford	Kleczka
Cardin	Frank	Kucinich
Carson (IN)	Frost	LaFalce
Carson (OK)	Gephardt	Lampson
Clay	Gonzalez	Langevin
Clayton	Gordon	Lantos
Clement	Green (TX)	Larsen (WA)
Clyburn	Gutierrez	Larson (CT)
Condit	Hall (OH)	
Lee	Nadler	Sherman
Levin	Napolitano	Shows
Lewis (GA)	Neal	Skelton
Lipinski	Oberstar	Slaughter
Lofgren	Obey	Smith (WA)
Lowey	Olver	Snyder
Lucas (KY)	Ortiz	Solis
Luther	Owens	Spratt
Maloney (CT)	Pallone	Stark
Maloney (NY)	Pascrell	Stenholm
Markey	Pastor	Strickland
Mascara	Payne	Stupak
Matheson	Pelosi	Tanner
Matsui	Phelps	Tauscher
McCarthy (MO)	Pomeroy	Taylor (MS)
McCarthy (NY)	Price (NC)	Thompson (CA)
McCollum	Rahall	Thompson (MS)
McDermott	Rangel	Thurman
McGovern	Reyes	Tierney
McIntyre	Rivers	Towns
McKinney	Rodriguez	Turner
McNulty	Roemer	Udall (CO)
Meehan	Ross	Udall (NM)
Meek (FL)	Rothman	Velazquez
Meeks (NY)	Roybal-Allard	Visclosky
Menendez	Rush	Waters
Millender-McDonald	Sabo	Watt (NC)
Miller, George	Sanchez	Waxman
Mink	Sandlin	Weiner
Mollohan	Sawyer	Wexler
Moore	Schakowsky	Woolsey
Moran (VA)	Schiff	Wu
Murtha	Scott	Wynn
	Serrano	

NAYS—223

Aderholt	Frelinghuysen	McCrery
Akin	Gallegly	McHugh
Armey	Ganske	McInnis
Bachus	Gekas	McKeon
Baker	Gibbons	Mica
Ballenger	Gilchrest	Miller (FL)
Barr	Gillmor	Miller, Gary
Bartlett	Gilman	Moran (KS)
Barton	Goode	Morella
Bass	Goodlatte	Myrick
Bereuter	Goss	Nethercutt
Biggert	Graham	Ney
Bilirakis	Granger	Northup
Blunt	Graves	Norwood
Boehlert	Green (WI)	Nussle
Boehner	Greenwood	Osborne
Bonilla	Grucci	Ose
Bono	Gutknecht	Otter
Brady (TX)	Hansen	Oxley
Brown (SC)	Hart	Paul
Bryant	Hastings (WA)	Pence
Burr	Hayes	Peterson (MN)
Burton	Hayworth	Peterson (PA)
Buyer	Hefley	Petri
Callahan	Herger	Pickering
Calvert	Hilleary	Pitts
Camp	Hobson	Platts
Cannon	Hoekstra	Pombo
Cantor	Horn	Portman
Capito	Hostettler	Pryce (OH)
Castle	Houghton	Putnam
Chabot	Hulshof	Quinn
Chambliss	Hunter	Radanovich
Coble	Hutchinson	Ramstad
Collins	Hyde	Regula
Combest	Isakson	Rehberg
Cooksey	Issa	Reynolds
Cox	Istook	Riley
Crane	Jenkins	Rogers (KY)
Crenshaw	Johnson (CT)	Rogers (MI)
Cubin	Johnson (IL)	Rohrabacher
Culberson	Johnson, Sam	Ros-Lehtinen
Cunningham	Jones (NC)	Roukema
Davis, Jo Ann	Keller	Royce
Davis, Tom	Kelly	Ryan (WI)
Deal	Kennedy (MN)	Ryun (KS)
DeLay	Kerns	Sanders
DeMint	King (NY)	Saxton
Diaz-Balart	Kingston	Scarborough
Doolittle	Kirk	Schaffer
Dreier	Knollenberg	Schrock
Duncan	Kolbe	Sensenbrenner
Dunn	LaHood	Sessions
Ehlers	Largent	Shadegg
Ehrlich	Latham	Shaw
Emerson	LaTourette	Shays
English	Leach	Sherwood
Everett	Lewis (CA)	Shimkus
Ferguson	Lewis (KY)	Simmons
Flake	Linder	Simpson
Fletcher	LoBiondo	Skeen
Foley	Lucas (OK)	Smith (MI)
Fossella	Manzullo	Smith (NJ)
Smith (TX)	Thornberry	Watts (OK)
Souder	Thune	Weldon (FL)
Spence	Tiahrt	Weldon (PA)
Stearns	Tiberi	Weller
Stump	Toomey	Whitfield
Sununu	Traficant	Wicker
Sweeney	Upton	Wilson
Tancredo	Vitter	Wolf
Tauzin	Walden	Young (AK)
Taylor (NC)	Walsh	Young (FL)
Terry	Wamp	
Thomas	Watkins	

NOT VOTING—1

Moakley

□ 1506

Messrs. FOLEY, FRELINGHUYSEN, KING, TOM DAVIS of Virginia, TIBERI, GREENWOOD, and SAXTON changed their vote from ''yea'' to ''nay.''

Mr. MOORE and Ms. HARMAN changed their vote from ''nay'' to ''yea''.

So the amendment in the nature of a substitute was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. QUINN). The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

MOTION TO RECOMMIT OFFERED BY MR. SANDERS

Mr. SANDERS. Mr. Speaker, I offer a motion to recommit with instructions.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. SANDERS. I am opposed to the bill in its present form, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. SANDERS of Vermont moves to recommit the bill (H.R. 10) to the Committee on Education and the Workforce and the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendment:

Strike section 504 and insert the following new section:

SEC. 504. TREATMENT OF PLAN AMENDMENTS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) NOTICE REQUIREMENTS FOR DEFINED BENEFIT PLANS OF 100 OR MORE PARTICIPANTS.—

(1) PLAN REQUIREMENT.—Section 401(a) of the Internal Revenue Code of 1986 (relating to qualified pension, profit-sharing, and stock bonus plans) is amended by inserting after paragraph (34) the following new paragraph:

''(35) NOTICE REQUIREMENTS FOR DEFINED BENEFIT PLANS OF 100 OR MORE PARTICIPANTS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.—

''(A) IN GENERAL.—If a large defined benefit plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants, a trust which is part of such plan shall not constitute a qualified trust under this section unless, after adoption of such amendment and not less than 45 days before its effective date, the plan administrator provides—

''(i) a written statement of benefit change described in subparagraph (B) to each applicable individual, and

''(ii) a written notice setting forth the plan amendment and its effective date to each employee organization representing participants in the plan.

Any such notice may be provided to a person designated, in writing, by the person to which it would otherwise be provided. The plan administrator shall not be treated as failing to meet the requirements of this subparagraph merely because the statement or notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(B) STATEMENT OF BENEFIT CHANGE.—A statement of benefit change described in this subparagraph shall—

''(i) be written in a manner calculated to be understood by the average plan participant, and

''(ii) include the information described in subparagraph (C).

''(C) INFORMATION CONTAINED IN STATEMENT OF BENEFIT CHANGE.—The information described in this subparagraph includes the following:

''(i) Notice setting forth the plan amendment and its effective date.

''(ii) A comparison of the following amounts under the plan with respect to an applicable individual, determined both with and without regard to the plan amendment:

''(I) The accrued benefit and the present value of the accrued benefit as of the effective date.

''(II) The projected accrued benefit and the projected present value of the accrued benefit as of the date which is 3 years, 5 years, and 10 years from the effective date and as of the normal retirement age.

''(iii) A table of all annuity factors used to calculate benefits under the plan, presented in the form provided in section 72 and the regulations thereunder.

Benefits described in clause (ii) shall be stated separately and shall be calculated by using the applicable mortality table and the applicable interest rate under section 417(e)(3)(A).

''(D) LARGE DEFINED BENEFIT PLAN; APPLICABLE INDIVIDUAL.—For purposes of this paragraph—

''(i) LARGE DEFINED BENEFIT PLAN.—The term 'large defined benefit plan' means any defined benefit plan which had 100 or more participants who had accrued a benefit under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective.

''(ii) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means—

''(I) each participant in the plan, and

''(II) each beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)).

''(E) ACCRUED BENEFIT; PROJECTED RETIREMENT BENEFIT.—For purposes of this paragraph—

''(i) PRESENT VALUE OF ACCRUED BENEFIT.—The present value of an accrued benefit of any applicable individual shall be calculated as if the accrued benefit were in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(ii) PROJECTED ACCRUED BENEFIT.—

''(I) IN GENERAL.—The projected accrued benefit of any applicable individual shall be calculated as if the benefit were payable in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(II) COMPENSATION AND OTHER ASSUMPTIONS.—Such benefit shall be calculated by assuming that compensation and all other benefit factors would increase for each plan year beginning after the effective date of the plan amendment at a rate equal to the median average of the CPI increase percentage (as defined in section 215(i) of the Social Security Act) for the 5 calendar years immediately preceding the calendar year before the calendar year in which such effective date occurs.

''(III) BENEFIT FACTORS.—For purposes of subclause (II), the term 'benefit factors' means social security benefits and all other relevant factors under section 411(b)(1)(A) used to compute benefits under the plan which had increased from the 2d plan year preceding the plan year in which the effective date of the plan amendment occurs to the 1st such preceding plan year.

''(iii) NORMAL RETIREMENT AGE.—The term 'normal retirement age' means the later of—

''(I) the date determined under section 411(a)(8), or

''(II) the date a plan participant attains age 62.''.

(2) AMENDMENTS TO ERISA.—

(A) BENEFIT STATEMENT REQUIREMENT.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraphs:

''(3)(A) If paragraph (1) applies to the adoption of a plan amendment by a large defined benefit plan, the plan administrator shall, after adoption of such amendment and not less than 45 days before its effective date, provide with the notice under paragraph (1) a written statement of benefit change described in subparagraph (B) to each applicable individual.

''(B) A statement of benefit change described in this subparagraph shall—

''(i) be written in a manner calculated to be understood by the average plan participant, and

''(ii) include the information described in subparagraph (C).

''(C) The information described in this subparagraph includes the following:

''(i) A comparison of the following amounts under the plan with respect to an applicable individual, determined both with and without regard to the plan amendment:

''(I) The accrued benefit and the present value of the accrued benefit as of the effective date.

''(II) The projected accrued benefit and the projected present value of the accrued benefit as of the date which is 3 years, 5 years, and 10 years from the effective date and as of the normal retirement age.

''(ii) A table of all annuity factors used to calculate benefits under the plan, presented in the form provided in section 72 of the Internal Revenue Code of 1986 and the regulations thereunder.

Benefits described in clause (i) shall be stated separately and shall be calculated by using the applicable mortality table and the applicable interest rate under section 417(e)(3)(A) of such Code.

''(D) For purposes of this paragraph—

''(i) The term 'large defined benefit plan' means any defined benefit plan which had 100 or more participants who had accrued a benefit under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective.

''(ii) The term 'applicable individual' means an individual described in subparagraph (A) or (B) of paragraph (1).

''(E) For purposes of this paragraph—

''(i) The present value of an accrued benefit of any applicable individual shall be calculated as if the accrued benefit were in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(ii)(I) The projected accrued benefit of any applicable individual shall be calculated as if the benefit were payable in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(II) Such benefit shall be calculated by assuming that compensation and all other benefit factors would increase for each plan year beginning after the effective date of the plan amendment at a rate equal to the median average of the CPI increase percentage (as defined in section 215(i) of the Social Security Act) for the 5 calendar years immediately preceding the calendar year before the calendar year in which such effective date occurs.

''(III) For purposes of subclause (II), the term 'benefit factors' means social security benefits and all other relevant factors under section 204(b)(1)(A) used to compute benefits under the plan which had increased from the 2d plan year preceding the plan year in which the effective date of the plan amendment occurs to the 1st such preceding plan year.

''(iii) The term 'normal retirement age' means the later of—

''(I) the date determined under section 3(24), or

''(II) the date a plan participant attains age 62.

''(4) A plan administrator shall not be treated as failing to meet the requirements of this subsection merely because the notice or statement is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.''.

(B) CONFORMING AMENDMENT.—Section 204(h)(1) of such Act (29 U.S.C. 1054(h)(1)) is amended by inserting ''(including any written statement of benefit change if required by paragraph (3))'' after ''written notice''.

(3) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to plan amendments taking effect in plan years beginning after December 31, 1998.

(B) SPECIAL RULE.—The period for providing any notice required by the amendments made by this subsection shall not end before the date which is 3 months after the date of the enactment of this Act.

(b) AGE-BASED REDUCTIONS IN THE RATE AT WHICH BENEFITS ACCRUE UNDER A CASH BALANCE PLAN VIOLATE AGE DISCRIMINATION RULE.—

(1) DIRECTIVE.—The Secretary of the Treasury shall apply section 411(b)(1)(H) of the Internal Revenue Code of 1986 without regard to the portion of the preamble to Treasury Decision 8360 (56 Fed. Reg. 47524–47603, September 19, 1991) which relates to the allocation of interest adjustments through normal retirement age under a cash balance plan, as such preamble is and has been since its adoption without the force of law.

(2) SAFE HARBOR IF NOTICE AND ELECTION TO CONTINUE BENEFIT ACCRUALS UNDER FORMER DEFINED BENEFIT PLAN INSTEAD OF UNDER CASH BALANCE PLAN.—

(A) AMENDMENT TO INTERNAL REVENUE CODE.—Paragraph (1) of section 411(b) of the Internal Revenue Code of 1986 (relating to defined benefit plans) is amended by adding at the end the following new subparagraph:

''(I) ELECTION TO CONTINUE BENEFIT ACCRUALS UNDER FORMER DEFINED BENEFIT PLAN INSTEAD OF UNDER CASH BALANCE PLAN.—

''(i) IN GENERAL.—A large defined benefit plan that adopts an amendment which results in such plan becoming a cash balance plan shall be treated as not meeting the requirements of this paragraph unless such plan provides each participant with—

''(I) notice and a written statement of benefit change which meets the requirements of section 401(a)(35), and

''(II) an election to continue to accrue benefits under such plan, determined under the terms of such plan as in effect immediately before the effective date of such plan amendment.

''(ii) PROTECTED ACCRUED BENEFIT.—For purposes of clause (i), an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of subsection (d)(6)(B)(i)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.

''(iii) TIMING OF ELECTION.—Except as provided in regulations, the election required by clause (i)(II) shall be provided within a reasonable time before the effective date of the amendment resulting in the plan becoming a cash balance plan.

''(iv) CASH BALANCE PLAN.—For purposes of this paragraph, the term 'cash balance plan' means a defined benefit plan under which the rate of benefit accrual of any 1 participant for a year of service is reduced as the years of service of such participant increase.''.

(B) AMENDMENT TO ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following new paragraph:

''(4)(A) For purposes of paragraph (1), in the case of a plan amendment adopted by a large defined benefit plan (as defined in subsection (h)(3)) which results in such plan becoming a cash balance plan, such defined benefit plan shall be treated as not satisfying the requirements of this section unless such plan provides each participant with—

''(i) notice and a written statement of benefit change which meets the requirements of subsection (h)(3), and

''(ii) an election to continue to accrue benefits under such plan, determined under the terms of such plan as in effect immediately before the effective date of such plan amendment.

''(B) For purposes of subparagraph (A), an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of paragraph (2)(A)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.

''(C) Except as provided in regulations, the election required by subparagraph (A)(ii) shall be provided within a reasonable time before the effective date of the amendment resulting in the plan becoming a cash balance plan.

''(D) For purposes of this paragraph, the term 'cash balance plan' means a defined benefit plan under which the rate of benefit accrual of any 1 participant for a year of service is reduced as the years of service of such participant increase.''.

(3) EXCISE TAX ON FAILURE TO OFFER ELECTION.—

(A) IN GENERAL.—Chapter 43 of subtitle D of the Internal Revenue Code of 1986 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE TO OFFER ELECTION TO CONTINUE BENEFIT ACCRUALS UNDER FORMER DEFINED BENEFIT PLAN IN EVENT OF SIGNIFICANT REDUCTIONS IN FUTURE BENEFIT ACCRUALS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (d).

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) shall be 50 percent of the amount of the excess pension assets in such plan, determined as of the effective date of the amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants.

''(2) EXCESS PENSION ASSETS.—For purposes of paragraph (1), the term 'excess pension assets' has the meaning given to such term by section 420(e)(2).

''(c) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan. For purposes of this paragraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(d) ELECTION TO CONTINUE BENEFIT ACCRUALS UNDER FORMER DEFINED BENEFIT PLAN IN EVENT OF SIGNIFICANT REDUCTIONS IN FUTURE BENEFIT ACCRUALS.—In the case that an applicable pension plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants, the requirements of this subsection are met if the plan administrator provides each participant who has a nonforfeitable right to 100 percent of his accrued benefits with—

''(1) notice and a written statement of benefit change which meets the requirements of section 401(a)(35), and

''(2) an election to continue to accrue benefits under such plan, determined under the terms of such plan as in effect immediately before the effective date of such plan amendment.

''(e) TIMING OF ELECTION.—Except as provided in regulations, the election required by subsection (d) shall be provided within a reasonable time before the effective date of such amendment.

''(f) PROTECTED ACCRUED BENEFIT.—For purposes of this section, an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.

''(g) APPLICABLE PENSION PLAN.—For purposes of this section, the term 'applicable pension plan' means a defined benefit plan that is subject to the notice requirements of section 401(a)(35).''.

(B) CLERICAL AMENDMENT.—The table of sections for chapter 43 of subtitle D of such Code is amended by adding at the end the following new item:

''Sec. 4980F. Failure to offer election to continue benefit accruals under former defined benefit plan in event of significant reductions in future benefit accruals.''.

(4) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to plans and plan amendments taking effect after December 31, 1998.

(B) SPECIAL RULE.—The period for providing any notice required by the amendments made by this subsection shall not end before the date which is 3 months after the date of the enactment of this Act.

(c) PREVENTION OF WEARING AWAY OF EMPLOYEE'S ACCRUED BENEFIT.—

(1) AMENDMENT TO INTERNAL REVENUE CODE.—Section 411(d)(6) of the Internal Revenue Code of 1986 (relating to accrued benefit may not be decreased by amendment) is amended by adding at the end the following new subparagraph:

''(D) TREATMENT OF PLAN AMENDMENTS WEARING AWAY ACCRUED BENEFIT.—

''(i) IN GENERAL.—For purposes of subparagraph (A), a plan amendment adopted by a large defined benefit plan shall be treated as reducing accrued benefits of a participant if, under the terms of the plan after the adoption of the amendment, the accrued benefit of the participant may at any time be less than the sum of—

''(I) the participant's accrued benefit for years of service before the effective date of the amendment, determined under the terms of the plan as in effect immediately before the effective date, plus

''(II) the participant's accrued benefit determined under the formula applicable to benefit accruals under the current plan as applied to years of service after such effective date.

''(ii) LARGE DEFINED BENEFIT PLAN.—For purposes of this subparagraph, the term 'large defined benefit plan' means any defined benefit plan which had 100 or more participants who had accrued a benefit under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective.

''(iii) PROTECTED ACCRUED BENEFIT.—For purposes of this subparagraph, an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of subparagraph (B)(i)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.''.

(2) AMENDMENT OF ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following new paragraph:

''(5)(A) For purposes of paragraph (1), a plan amendment adopted by a large defined benefit plan shall be treated as reducing accrued benefits of a participant if, under the terms of the plan after the adoption of the amendment, the accrued benefit of the participant may at any time be less than the sum of—

''(i) the participant's accrued benefit for years of service before the effective date of the amendment, determined under the terms of the plan as in effect immediately before the effective date, plus

''(ii) the participant's accrued benefit determined under the formula applicable to benefit accruals under the current plan as applied to years of service after such effective date.

''(B) For purposes of this paragraph, the term 'large defined benefit plan' means any defined benefit plan which had 100 or more participants who had accrued a benefit under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective.

''(C) For purposes of this paragraph, an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of paragraph (2)(A)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.''.

(3) EFFECTIVE DATE.—The amendments made by this su,bsection shall apply to plan amendments taking effect after December 31, 1998.

Mr. THOMAS (during the reading). Mr. Speaker, I ask unanimous consent that the motion to recommit be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Vermont (Mr. SANDERS) is recognized for 5 minutes in support of his motion to recommit.

Mr. SANDERS. Mr. Speaker, this issue affects the lives and well-being of millions of American workers, and I hope the Members would pay attention to this debate.

This motion to recommit is cosponsored by the gentleman from New York (Mr. HINCHEY), the gentleman from Ohio (Mr. KUCINICH), and the gentleman from Minnesota (Mr. GUTKNECHT), so it has a tripartisan element.

Mr. Speaker, in the last several years, major corporation after major corporation has cut back the pension benefits that they promised their workers. IBM, for example, which has a huge pension surplus, which pays its CEO $175 million over a 2-year period, said to its workers last year, yes, we made a promise to you, but we are going to renege on that promise and, in some cases, cut back the benefits that you expected by 30 or 40 or 50 percent.

That is wrong, and we have to deal with it. Unfortunately, the underlying legislation here does not in any meaningful way deal with this issue. The proponents of the bill say, we do deal with it, we do deal with it. But what we are really talking about is that we deal with it through disclosure.

I guess it is a good thing to know in advance if you are going to get the death penalty. It helps. But more importantly, it would help if this legislation did, as my amendment does, give workers a choice. If a company is going to convert from defined benefits to cash balance, workers should have a choice, should not be forced to accept major cutbacks in pensions that were promised to them.

If Members are concerned about what happened at IBM, what happened at other major corporations in America, let us stand up for those workers and say, we support your right to have a choice.

Support the motion to recommit.

Mr. Speaker, I yield to the gentleman from Minnesota (Mr. GUTKNECHT).

Mr. GUTKNECHT. Mr. Speaker, I know that we all have a lot of other issues going on and a lot of people are not paying attention, but this is a very important point, because last year, about a year and a half ago, an awful lot of employees that worked for a great company that has been a great employer by the name of IBM, they woke up one morning and all of a sudden their pension benefits were cut by as much as 50 percent. The gentleman from Vermont (Mr. SANDERS) is exactly right.

This is a good bill. The underlying bill, the benefits, everything we do here is good, with one glaring exception: we do not define what the term ''vested'' means. I want Members to all think about that, what does ''vested'' mean? It means it is ours, it cannot be taken away. That is not what the law in the United States says today. Those pension benefits can be taken away.

We have an opportunity in this bill to resolve that issue. If we do not do it today, then shame on us. What happened to the IBMers we may not be able to change, but remember this, Mr. Speaker, if it could happen to good people working at IBM a year ago, it can happen to an awful lot of people working in our districts tomorrow.

□ 1515

The time is now to make this change. Give those people that choice. Let us vote for the motion to recommit.

Mr. SANDERS. Mr. Speaker, I yield to the gentleman from New York State (Mr. HINCHEY), who has been active on this issue.

Mr. HINCHEY. Mr. Speaker, I thank my friend, the gentleman from Vermont, for yielding to me.

Colleagues, this is a very important issue. It is important because it affects our constituents; it affects their retirement and their security and that of their families. Across this country some companies have changed their pension program from a defined benefit plan to a cash balance plan, thereby robbing their pension systems of enormous amounts of money, billions of dollars, and reducing the pensions programs of virtually every employee. It particularly adversely affects those employees who are getting near retirement age. My colleagues' constituents are affected by this.

We are not going to deal with this issue outside of this bill. We are not going to return to the issue of pensions anytime during this Congress. If we do not do it now, it is not going to get done; and the problem that exists will continue to exist and people will continue to get hurt.

Please join us in this simple motion to recommit. Let us just correct this one single deficiency in this bill, improve it, and make it affect our constituents in a positive way. Vote for the motion to recommit.

Mr. SANDERS. Mr. Speaker, let me conclude by saying that the proponents of this bill will tell us that they have dealt with this issue. They have not dealt with this issue. Disclosure is fine, but disclosure will not help millions of workers who have already seen their pensions cut and many more who will see their pensions cut. Please vote ''yes'' on recommit.

The SPEAKER pro tempore (Mr. QUINN). The gentleman's time has expired. Is the gentleman from California (Mr. THOMAS) opposed to the motion to recommit?

Mr. THOMAS. I am, Mr. Speaker.

The SPEAKER pro tempore. The gentleman from California is recognized for 5 minutes.

Mr. THOMAS. Mr. Speaker, the authors of the underlying bill said that they addressed the issue, not that they had dealt with it. This motion to recommit is 22 pages of very specific directed information that I will address in a moment.

We have had an excellent discussion about needful changes in the area of pensions and IRAs. I would hope it is enough for my colleagues to know that the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) are in opposition to this motion to recommit. This is not the way to deal with pension legislation.

Twenty-two specific pages. For example, in the materials explaining the bill it says, ''The fact that cash balance plan conversions violate current pension age discrimination laws is clear.'' If it is clear, why on page 12, beginning on line 6, does it say, ''Directive. The Secretary of the Treasury shall apply section 411 without regard to the portion of the preamble. Such preamble is and has been since its adoption without the force of law.'' If it is clear, why do my colleagues direct the Treasury to a particular conclusion about that section?

It also involves the ERISA area, which is the jurisdiction of the committee of the gentleman from Ohio.

Mr. Speaker, I yield to the gentleman from Ohio (Mr. BOEHNER).

Mr. BOEHNER. Mr. Speaker, the motion to recommit deals with the issue of cash balance pension plans, which are a form of defined benefit pension plans that most of my colleagues on the Democrat side want. We have had this huge decline in defined benefit plans and a move toward defined contribution plans. And as a way to save defined benefit plans, they came up with this idea of a cash balance conversion.

These are very, very good for younger workers. And I might also add that over 500 of these conversions have taken place. In almost every instance, the employer has in fact made all employees whole in the process. There were some mistakes early on, but they have been corrected. The gentleman from New Jersey (Mr. ANDREWS) and I, during the last administration, worked with the Secretary of Labor, worked with the White House, and came to an agreement on this disclosure model contained in this bill.

We should be very careful about the specific language in this motion to recommit that allows for choice, so that in the case of a cash balance conversion an employee could choose one or the other. This would require an employer to offer two separate plans. And they will do this: they will have no plan, or there will be no conversion and then no defined benefit plan.

It is a very bad and dangerous idea, and we should reject this.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 30 seconds to the gentleman from North Dakota (Mr. POMEROY) in opposition to the motion to recommit.

Mr. POMEROY. Mr. Speaker, I thank the gentleman for yielding to me.

Colleagues, the bill contains language on disclosure for cash balance conversions advanced by the White House in consultation with Congress last year. The motion should be defeated, because although it talks about mandating choice between defined benefit and cash balance, it says nothing about changing the pension plan all together for a defined contribution plan or, worse, scrapping it all together. Those are much more serious options than moving from traditional defined balance to cash balance.

Therefore, although well intended, this motion does not work. It should be defeated.

Mr. THOMAS. Mr. Speaker, I thank the gentleman.

It is also true that members of the Committee on Ways and Means are very concerned about this, including the gentleman from Massachusetts (Mr. NEAL), who indicated that it is not the appropriate way to deal with this issue, through a motion to recommit; but that we would be pleased to look at it in committee.

As we continue through the 22 pages of this bill in terms of the specific directives, my colleagues might also be interested to know that if they vote in favor of the motion to recommit, on page 16 they would be in favor of the imposition of a tax. The tax is an excise tax. The amount of the tax imposed, and I am quoting, by subsection A, shall be 50 percent of the amount of the excess pension assets in such plan.

Now, we are more than willing to talk about reasonable adjustments where we find fault, but that is a bit Draconian. And I would only ask my colleagues to look on page 22 of this motion to recommit and look at the effective date: ''The amendments made by this subsection shall apply to plan amendments taking effect after December 31, 1998.''

I would ask my colleagues, as this bill was constructed in a bipartisan way, let us reject this motion to recommit in a bipartisan way.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. SANDERS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for any electronic vote on the question of final passage.

The vote was taken by electronic device, and there were—yeas 153, nays 276, not voting 2, as follows:

[Roll No. 95]

YEAS—153

Abercrombie
Ackerman
Allen
Baca
Baldacci
Baldwin
Barcia
Barrett
Becerra
Bentsen
Berkley
Berman
Blagojevich
Blumenauer
Bonior
Boucher
Brown (FL)
Brown (OH)
Capps
Capuano
Carson (IN)
Carson (OK)
Clay
Clayton
Clyburn
Conyers
Costello
Coyne
Cummings
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Doyle
Edwards
Engel
Eshoo
Evans
Farr
Fattah
Filner
Frank
Frost
Gephardt
Green (TX)
Gutierrez
Gutknecht
Hall (OH)
Hastings (FL)
Hilliard
Hinchey
Holden
Holt
Honda
Hooley
Inslee
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind (WI)
Kleczka
Kucinich
LaFalce
Langevin
Lantos
Larsen (WA)
Lee
Levin
Lewis (GA)
Lofgren
Lowey
Luther
Maloney (CT)
Maloney (NY)
Markey
Mascara
Matsui
McCollum
McDermott
McGovern
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Mink
Mollohan
Murtha
Nadler
Napolitano
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Rahall
Rangel
Reyes
Rivers
Rodriguez
Rothman
Roybal-Allard
Rush
Sabo
Sanders
Sawyer
Schakowsky
Scott
Serrano
Skelton
Slaughter
Solis
Spratt
Stark
Strickland
Stupak
Thompson (CA)
Thompson (MS)
Thurman
Tierney
Towns
Udall (CO)
Udall (NM)
Velazquez
Visclosky
Waters
Watt (NC)
Waxman
Weiner
Wexler
Woolsey

NAYS—276

Aderholt
Akin
Andrews
Armey
Bachus
Baird
Baker
Ballenger
Barr
Bartlett
Barton
Bass
Bereuter
Berry
Biggert
Bilirakis
Bishop
Blunt
Boehlert
Boehner
Bonilla
Bono
Borski
Boswell
Boyd
Brady (PA)
Brady (TX)
Brown (SC)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Cannon
Cantor
Capito
Cardin
Castle
Chabot
Chambliss
Clement
Coble
Collins
Combest
Condit
Cooksey
Cox
Cramer
Crane
Crenshaw
Crowley
Cubin
Culberson
Cunningham
Davis (CA)
Davis (FL)
Davis, Jo Ann
Davis, Tom
Deal
DeLay
DeMint
Diaz-Balart
Dooley
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Etheridge
Everett
Ferguson
Flake
Fletcher
Foley
Ford
Fossella
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Gordon
Goss
Graham
Granger
Graves
Green (WI)
Greenwood
Grucci
Hall (TX)
Hansen
Harman
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill
Hilleary
Hinojosa
Hobson
Hoeffel
Hoekstra
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Israel
Issa
Istook
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
Kerns
King (NY)
Kingston
Kirk
Knollenberg
Kolbe
LaHood
Lampson
Largent
Larson (CT)
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lucas (KY)
Lucas (OK)
Manzullo
Matheson
McCarthy (MO)
McCarthy (NY)
McCrery
McHugh
McInnis
McIntyre
McKeon
Mica
Miller (FL)
Miller, Gary
Moore
Moran (KS)
Moran (VA)
Morella
Myrick
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Pomeroy
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Reynolds
Riley
Roemer
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Roukema
Ryan (WI)
Ryun (KS)
Sanchez
Sandlin
Saxton
Scarborough
Schaffer
Schiff
Schrock
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Simmons
Simpson
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Souder
Spence
Stearns
Stenholm
Stump
Sununu
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Tiahrt
Tiberi
Toomey
Traficant
Turner
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Wu
Wynn
Young (AK)
Young (FL)

NOT VOTING—2

Moakley
Royce

□ 1546

Mr. GILMAN changed his vote from ''yea'' to ''nay.''

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. QUINN). The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. THOMAS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 407, nays 24, not voting 1, as follows:

[Roll No. 96]

YEAS—407

Abercrombie	Delahunt	Jackson-Lee (TX)
Ackerman	DeLauro	Jefferson
Aderholt	DeLay	Jenkins
Akin	DeMint	John
Allen	Deutsch	Johnson (CT)
Andrews	Diaz-Balart	Johnson (IL)
Armey	Dicks	Johnson, E. B.
Baca	Dingell	Johnson, Sam
Bachus	Doggett	Jones (NC)
Baird	Dooley	Jones (OH)
Baker	Doolittle	Kanjorski
Baldacci	Doyle	Kaptur
Baldwin	Dreier	Keller
Ballenger	Duncan	Kelly
Barcia	Dunn	Kennedy (MN)
Barr	Edwards	Kennedy (RI)
Barrett	Ehlers	Kerns
Bartlett	Ehrlich	Kildee
Barton	Emerson	Kilpatrick
Bass	Engel	Kind (WI)
Becerra	English	King (NY)
Bentsen	Eshoo	Kingston
Bereuter	Etheridge	Kirk
Berkley	Evans	Kleczka
Berman	Everett	Knollenberg
Berry	Farr	Kolbe
Biggert	Fattah	LaHood
Bilirakis	Ferguson	Lampson
Bishop	Flake	Langevin
Blagojevich	Fletcher	Lantos
Blumenauer	Foley	Largent
Blunt	Ford	Larsen (WA)
Boehlert	Fossella	Larson (CT)
Boehner	Frelinghuysen	Latham
Bonilla	Frost	LaTourette
Bonior	Gallegly	Leach
Bono	Ganske	Levin
Borski	Gekas	Lewis (CA)
Boswell	Gephardt	Lewis (GA)
Boucher	Gibbons	Lewis (KY)
Boyd	Gilchrest	Linder
Brady (PA)	Gillmor	Lipinski
Brady (TX)	Gilman	LoBiondo
Brown (FL)	Gonzalez	Lofgren
Brown (OH)	Goode	Lowey
Brown (SC)	Goodlatte	Lucas (KY)
Bryant	Gordon	Lucas (OK)
Burr	Goss	Luther
Burton	Graham	Maloney (CT)
Buyer	Granger	Maloney (NY)
Callahan	Graves	Manzullo
Calvert	Green (TX)	Markey
Camp	Green (WI)	Mascara
Cannon	Greenwood	Matheson
Cantor	Grucci	McCarthy (MO)
Capito	Gutierrez	McCarthy (NY)
Capps	Hall (OH)	McCollum
Capuano	Hall (TX)	McCrery
Cardin	Hansen	McGovern
Carson (IN)	Harman	McHugh
Carson (OK)	Hart	McInnis
Castle	Hastert	McIntyre
Chabot	Hastings (FL)	McKeon
Chambliss	Hastings (WA)	McKinney
Clay	Hayes	McNulty
Clayton	Hayworth	Meehan
Clement	Hefley	Meek (FL)
Clyburn	Herger	Meeks (NY)
Coble	Hill	Menendez
Collins	Hilleary	Mica
Combest	Hilliard	Millender-McDonald
Condit	Hinojosa	Miller (FL)
Cooksey	Hobson	Miller, Gary
Costello	Hoeffel	Miller, George
Cox	Hoekstra	Mink
Coyne	Holden	Mollohan
Cramer	Holt	Moore
Crane	Honda	Moran (KS)
Crenshaw	Hooley	Moran (VA)
Crowley	Horn	Morella
Cubin	Hostettler	Murtha
Culberson	Houghton	Myrick
Cummings	Hoyer	Nadler
Cunningham	Hulshof	Napolitano
Davis (CA)	Hunter	Nethercutt
Davis (FL)	Hutchinson	Ney
Davis (IL)	Hyde	Northup
Davis, Jo Ann	Inslee	Norwood
Davis, Tom	Isakson	Nussle
Deal	Israel	Ortiz
DeFazio	Issa	Osborne
DeGette	Istook	Ose
Otter	Sanchez	Taylor (MS)
Oxley	Sandlin	Taylor (NC)
Pallone	Sawyer	Terry
Pascrell	Saxton	Thomas
Pastor	Scarborough	Thompson (CA)
Paul	Schaffer	Thompson (MS)
Pelosi	Schakowsky	Thornberry
Pence	Schiff	Thune
Peterson (MN)	Schrock	Thurman
Peterson (PA)	Scott	Tiahrt
Petri	Sensenbrenner	Tiberi
Phelps	Serrano	Tierney
Pickering	Sessions	Toomey
Pitts	Shadegg	Towns
Platts	Shaw	Traficant
Pombo	Shays	Turner
Pomeroy	Sherman	Udall (CO)
Portman	Sherwood	Udall (NM)
Price (NC)	Shimkus	Upton
Pryce (OH)	Shows	Velazquez
Putnam	Simmons	Visclosky
Quinn	Simpson	Vitter
Radanovich	Skeen	Walden
Rahall	Skelton	Walsh
Ramstad	Slaughter	Wamp
Regula	Smith (MI)	Watkins
Rehberg	Smith (NJ)	Watt (NC)
Reyes	Smith (TX)	Watts (OK)
Reynolds	Smith (WA)	Waxman
Riley	Snyder	Weiner
Rivers	Solis	Weldon (FL)
Rodriguez	Souder	Weldon (PA)
Roemer	Spence	Weller
Rogers (KY)	Spratt	Wexler
Rogers (MI)	Stearns	Whitfield
Rohrabacher	Stenholm	Wicker
Ros-Lehtinen	Strickland	Wilson
Ross	Stump	Wolf
Rothman	Stupak	Woolsey
Roukema	Sununu	Wu
Royce	Sweeney	Wynn
Ryan (WI)	Tancredo	Young (AK)
Ryun (KS)	Tanner	Young (FL)
	Tauscher	
	Tauzin	

NAYS—24

Conyers	Lee	Payne
Filner	Matsui	Rangel
Frank	McDermott	Roybal-Allard
Gutknecht	Neal	Rush
Hinchey	Oberstar	Sabo
Jackson (IL)	Obey	Sanders
Kucinich	Olver	Stark
LaFalce	Owens	Waters

NOT VOTING—1

Moakley

□ 1602

Mrs. MEEK of Florida changed her vote from ''yea'' to ''nay.''

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 10, the bill just passed.

The SPEAKER pro tempore (Mr. QUINN). Is there objection to the request of the gentleman from California?

There was no objection.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Ms. Wanda Evans, one of his secretaries.

ELECTION OF MEMBERS TO CERTAIN STANDING COMMITTEES OF THE HOUSE

Mr. FROST. Mr. Speaker, by direction of the Democratic Caucus, I offer a privileged resolution (H.R. 129) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

HOUSE RESOLUTION 129

Resolved, That the following named Members be, and are hereby, elected to the following standing committees of the House of Representatives:

Committee on Resources: Mr. Miller of California to rank immediately after Mr. Rahall of West Virginia;

Committee on Science: Mr. Honda of California.

The resolution was agreed to.

A motion to reconsider was laid on the table.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 39

Mr. REYES. Mr. Speaker, I ask unanimous consent that my name be removed as a cosponsor of H.R. 39.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

FISCAL YEAR 2002 BUDGET SUBMISSION ON DISTRICT OF COLUMBIA COURTS—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 107-63)

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on Appropriations and ordered to be printed:

To the Congress of the United States:

In accordance with the District of Columbia Code, as amended, I am transmitting the District of Columbia Courts FY 2002 Budget Submission.

The District of Columbia Courts have submitted a FY 2002 budget request for $111.7 million for operating expenses, $41.4 million for capital improvements to courthouse facilities, and $39.7 million for Defender Services in the District of Columbia Courts. My FY 2002 budget includes recommended funding levels of $105.2 million for operations, $6.0 million for capital improvements, and $34.3 million for Defender Services. My transmittal of the District of Columbia Courts' budget request does not represent an endorsement of its contents.

I look forward to working with the Congress throughout the FY 2002 appropriations process.

GEORGE W. BUSH.

THE WHITE HOUSE, *May 2, 2001.*