

# AMERICAN BENEFITS COUNCIL

## MAJOR RETIREMENT SAVINGS PROVISIONS

Issue	Current Law	HOUSE	SENATE	FINAL*																												
<b>IRA CHANGES</b>																																
<b>IRA Contribution Limits</b>	The maximum annual contribution permitted to IRAs (traditional or Roth) is generally the lesser of \$2,000 or 100% of the individual's compensation.	The IRA contribution limit would be increased as follows: <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Limit</u></td> </tr> <tr> <td style="text-align: center;">2002</td> <td style="text-align: center;">\$3,000</td> </tr> <tr> <td style="text-align: center;">2003</td> <td style="text-align: center;">\$4,000</td> </tr> <tr> <td style="text-align: center;">2004</td> <td style="text-align: center;">\$5,000</td> </tr> </table> Thereafter, the limit would be indexed for inflation annually (in \$500 increments).	<u>Year</u>	<u>Limit</u>	2002	\$3,000	2003	\$4,000	2004	\$5,000	The IRA contribution limit would be increased as follows: <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Limit</u></td> </tr> <tr> <td style="text-align: center;">2002-2005</td> <td style="text-align: center;">\$2,500</td> </tr> <tr> <td style="text-align: center;">2006-2007</td> <td style="text-align: center;">\$3,000</td> </tr> <tr> <td style="text-align: center;">2008-2009</td> <td style="text-align: center;">\$3,500</td> </tr> <tr> <td style="text-align: center;">2010</td> <td style="text-align: center;">\$4,000</td> </tr> <tr> <td style="text-align: center;">2011</td> <td style="text-align: center;">\$5,000</td> </tr> </table> Thereafter, the limit would be indexed for inflation annually (in \$500 increments).	<u>Year</u>	<u>Limit</u>	2002-2005	\$2,500	2006-2007	\$3,000	2008-2009	\$3,500	2010	\$4,000	2011	\$5,000	The IRA contribution limit would be increased as follows: <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Limit</u></td> </tr> <tr> <td style="text-align: center;">2002-2004</td> <td style="text-align: center;">\$3,000</td> </tr> <tr> <td style="text-align: center;">2005-2007</td> <td style="text-align: center;">\$4,000</td> </tr> <tr> <td style="text-align: center;">2008</td> <td style="text-align: center;">\$5,000</td> </tr> </table> Thereafter, the limit would be indexed for inflation annually (in \$500 increments).	<u>Year</u>	<u>Limit</u>	2002-2004	\$3,000	2005-2007	\$4,000	2008	\$5,000
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<b>Catch-Up Contributions</b>	Once an individual has missed the opportunity to make an IRA contribution for a given year, the individual has no opportunity to "catch-up" in later years.	Individuals age 50 and over would be permitted to contribute up to \$5,000 to an IRA in 2002 and 2003, <i>i.e.</i> , no phase-in would apply to these individuals. In effect, the catch-up contributions would be as follows: <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Catch-Up</u></td> </tr> <tr> <td style="text-align: center;">2002</td> <td style="text-align: center;">\$2,000</td> </tr> <tr> <td style="text-align: center;">2003</td> <td style="text-align: center;">\$1,000</td> </tr> <tr> <td style="text-align: center;">2004+</td> <td style="text-align: center;">\$0</td> </tr> </table>	<u>Year</u>	<u>Catch-Up</u>	2002	\$2,000	2003	\$1,000	2004+	\$0	Individuals age 50 and over would be permitted to make catch-up contributions to IRAs as follows: <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Limit</u></td> </tr> <tr> <td style="text-align: center;">2002-2005</td> <td style="text-align: center;">\$ 500</td> </tr> <tr> <td style="text-align: center;">2006-2009</td> <td style="text-align: center;">\$1,000</td> </tr> <tr> <td style="text-align: center;">2010</td> <td style="text-align: center;">\$1,500</td> </tr> <tr> <td style="text-align: center;">2011+</td> <td style="text-align: center;">\$2,000</td> </tr> </table>	<u>Year</u>	<u>Limit</u>	2002-2005	\$ 500	2006-2009	\$1,000	2010	\$1,500	2011+	\$2,000	Individuals age 50 and over would be permitted to make catch-up contributions to IRAs as follows: <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Limit</u></td> </tr> <tr> <td style="text-align: center;">2002-2005</td> <td style="text-align: center;">\$ 500</td> </tr> <tr> <td style="text-align: center;">2006+</td> <td style="text-align: center;">\$1,000</td> </tr> </table>	<u>Year</u>	<u>Limit</u>	2002-2005	\$ 500	2006+	\$1,000				
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<b>Tax-Free Withdrawals for Charitable Purposes</b>	An individual who withdraws amounts from his or her IRA for charitable purposes may not be able to deduct the entire charitable contribution because of limits on the	No provision.	IRA withdrawals made directly to a charity or certain charitable trusts would generally be excluded from gross income for those over age 70½. This provision would be effective for taxable years beginning after 12/31/09.	No provision.																												

\* H.R. 1836 passed the House and Senate on May 27, 2001 by votes of 240-154 and 58-33, respectively. The President is expected to sign legislation soon.

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	percentage of income that can be deducted.																																			
<b>LIMITS ON RETIREMENT PLAN CONTRIBUTIONS AND BENEFITS</b>																																				
<b>Maximum Salary Reduction Contribution (Section 402(g))</b>	Section 402(g) limits elective deferrals under most salary reduction plans, (e.g., section 401(k) plans and section 403(b) arrangements) to \$10,500 (in 2001).	<p>The limit on elective deferrals would be increased to \$15,000 as follows:</p> <table border="1" data-bbox="659 418 1087 625"> <thead> <tr> <th>Year</th> <th>Limit</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>\$11,000</td> </tr> <tr> <td>2003</td> <td>\$12,000</td> </tr> <tr> <td>2004</td> <td>\$13,000</td> </tr> <tr> <td>2005</td> <td>\$14,000</td> </tr> <tr> <td>2006</td> <td>\$15,000 (indexed)</td> </tr> </tbody> </table>	Year	Limit	2002	\$11,000	2003	\$12,000	2004	\$13,000	2005	\$14,000	2006	\$15,000 (indexed)	<p>The limit on elective deferrals would be increased to \$15,000 as follows:</p> <table border="1" data-bbox="1087 386 1587 727"> <thead> <tr> <th>Year</th> <th>Limit</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>\$11,000</td> </tr> <tr> <td>2003</td> <td>\$11,500</td> </tr> <tr> <td>2004</td> <td>\$12,000</td> </tr> <tr> <td>2005</td> <td>\$12,500</td> </tr> <tr> <td>2006</td> <td>\$13,000</td> </tr> <tr> <td>2007</td> <td>\$13,500</td> </tr> <tr> <td>2008</td> <td>\$14,000</td> </tr> <tr> <td>2009</td> <td>\$14,500</td> </tr> <tr> <td>2010</td> <td>\$15,000 (indexed)</td> </tr> </tbody> </table>	Year	Limit	2002	\$11,000	2003	\$11,500	2004	\$12,000	2005	\$12,500	2006	\$13,000	2007	\$13,500	2008	\$14,000	2009	\$14,500	2010	\$15,000 (indexed)	Follows House bill.
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<b>Defined Contribution Plan Limit (Section 415(c))</b>	Section 415(c) currently limits maximum annual contributions to defined contribution plans on behalf of an individual to the lesser of 25% of compensation or \$35,000. The \$35,000 limit is indexed for inflation in \$5,000 increments.	<p>The \$35,000 dollar limit in section 415(c) would be increased to \$40,000 beginning in 2002. Future indexing of this limit would be in \$1,000 increments.</p> <p>[The 25% of compensation limit is modified as described below.]</p>	<p>The \$35,000 dollar limit would not be increased, but future indexing would be in \$1,000 increments.</p> <p>[The 25% of compensation limit is modified as described below.]</p>	Follows House bill.																																
<b>Compensation Taken Into Account (Section 401(a)(17))</b>	Under section 401(a)(17) compensation that may be taken into account in determining benefits under qualified plans is limited to \$170,000 (in 2001), indexed in \$10,000 increments. In 1993, the limit was \$235,840.	The section 401(a)(17) compensation limit would be increased to \$200,000 beginning in 2002 (with future indexing in \$5,000 increments).	<p>The section 401(a)(17) compensation limit would be increased as follows:</p> <table border="1" data-bbox="1087 1149 1587 1284"> <thead> <tr> <th>Year</th> <th>Limit</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>\$180,000</td> </tr> <tr> <td>2003</td> <td>\$190,000</td> </tr> <tr> <td>2004-2005</td> <td>\$200,000</td> </tr> </tbody> </table> <p>In 2006, the \$200,000 limit would be indexed in \$5,000 increments.</p>	Year	Limit	2002	\$180,000	2003	\$190,000	2004-2005	\$200,000	Follows House bill.																								
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<b>Defined Benefit Plan Limit (Section 415(b))</b>	<p>Maximum annual benefits under a defined benefit plan are limited by section 415(b) to the lesser of 100% of three-year-high-average pay or \$140,000 (in 2001).</p> <p>Actuarial reduction of the limit is required if benefits start prior to Social Security normal retirement age.</p>	<p>The \$140,000 dollar limit in section 415(b) would be increased to \$160,000 beginning in 2002. Indexing would then continue as under current law (in \$5,000 increments).</p> <p>Actuarial reduction of the section 415(b) dollar limit would be required only for benefit commencement prior to age 62.</p>	<p>The \$140,000 dollar limit in section 415(b) would be increased as follows:</p> <table border="1" data-bbox="1129 240 1537 342"> <thead> <tr> <th><u>Year</u></th> <th><u>Limit</u></th> </tr> </thead> <tbody> <tr> <td>2002-2004</td> <td>\$150,000</td> </tr> <tr> <td>2005+</td> <td>\$160,000 (indexed)</td> </tr> </tbody> </table> <p>Same as House bill with respect to actuarial reduction.</p>	<u>Year</u>	<u>Limit</u>	2002-2004	\$150,000	2005+	\$160,000 (indexed)	<p>Follows House bill, except that the changes affecting defined benefit plans are effective for years ending after 12/31/01.</p>																										
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<b>Section 457(b) Plan Contribution Limit</b>	<p>The dollar limit on contributions under eligible deferred compensation plans under section 457(b) is generally \$8,500 in 2001.</p>	<p>The limit on elective deferrals to plans governed by section 457(b) would be increased as follows:</p> <table border="1" data-bbox="722 670 1073 870"> <thead> <tr> <th><u>Year</u></th> <th><u>Limit</u></th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>\$11,000</td> </tr> <tr> <td>2003</td> <td>\$12,000</td> </tr> <tr> <td>2004</td> <td>\$13,000</td> </tr> <tr> <td>2005</td> <td>\$14,000</td> </tr> <tr> <td>2006</td> <td>\$15,000(indexed)</td> </tr> </tbody> </table>	<u>Year</u>	<u>Limit</u>	2002	\$11,000	2003	\$12,000	2004	\$13,000	2005	\$14,000	2006	\$15,000(indexed)	<p>The limit on elective deferrals to plans governed by section 457(b) would be increased as follows:</p> <table border="1" data-bbox="1150 670 1514 1003"> <thead> <tr> <th><u>Year</u></th> <th><u>Limit</u></th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>\$ 9,000</td> </tr> <tr> <td>2003</td> <td>\$ 9,500</td> </tr> <tr> <td>2004</td> <td>\$10,000</td> </tr> <tr> <td>2005</td> <td>\$10,500</td> </tr> <tr> <td>2006</td> <td>\$11,000</td> </tr> <tr> <td>2007</td> <td>\$12,000</td> </tr> <tr> <td>2008</td> <td>\$13,000</td> </tr> <tr> <td>2009</td> <td>\$14,000</td> </tr> <tr> <td>2010</td> <td>\$15,000 (indexed)</td> </tr> </tbody> </table>	<u>Year</u>	<u>Limit</u>	2002	\$ 9,000	2003	\$ 9,500	2004	\$10,000	2005	\$10,500	2006	\$11,000	2007	\$12,000	2008	\$13,000	2009	\$14,000	2010	\$15,000 (indexed)	<p>Follows House bill.</p>
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<b>SIMPLE Plan Contribution Limit (Section 408(p))</b>	<p>Maximum elective deferrals to SIMPLE retirement plans are limited to \$6,500 per year (in 2001), indexed for inflation in \$500 increments.</p>	<p>The limit on elective deferrals to SIMPLE plans would be increased as follows:</p> <table border="1" data-bbox="722 1133 1073 1300"> <thead> <tr> <th><u>Year</u></th> <th><u>Limit</u></th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>\$7,000</td> </tr> <tr> <td>2003</td> <td>\$8,000</td> </tr> <tr> <td>2004</td> <td>\$9,000</td> </tr> <tr> <td>2005</td> <td>\$10,000 (indexed)</td> </tr> </tbody> </table>	<u>Year</u>	<u>Limit</u>	2002	\$7,000	2003	\$8,000	2004	\$9,000	2005	\$10,000 (indexed)	<p>The limit on elective deferrals to SIMPLE plans would be increased as follows:</p> <table border="1" data-bbox="1129 1133 1514 1300"> <thead> <tr> <th><u>Year</u></th> <th><u>Limit</u></th> </tr> </thead> <tbody> <tr> <td>2002-2003</td> <td>\$7,000</td> </tr> <tr> <td>2004-2005</td> <td>\$8,000</td> </tr> <tr> <td>2006-2007</td> <td>\$9,000</td> </tr> <tr> <td>2008</td> <td>\$10,000(indexed)</td> </tr> </tbody> </table>	<u>Year</u>	<u>Limit</u>	2002-2003	\$7,000	2004-2005	\$8,000	2006-2007	\$9,000	2008	\$10,000(indexed)	<p>Follows House bill.</p>												
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<b>ENHANCING FAIRNESS FOR WOMEN AND EXPANDING COVERAGE</b>																																				
<b>Additional Salary Reduction Catch-up Contributions</b>	The Code imposes annual limits on the maximum amount that can be contributed by an employee to a section 401(k) plan, a section 403(b) arrangement, a SIMPLE plan, and section 457 plans maintained by state and local governments. With certain limited exceptions, once an individual has missed the opportunity to make a contribution for a given year, the individual has no opportunity to “catch-up” in later years.	Individuals age 50 or older would be allowed to make an additional, annual \$5,000 “catch-up” contribution to salary reduction arrangements beginning in 2002. Index for inflation beginning in 2007. Such catch-up contributions would not be subject to any other contribution limits (e.g., 402(g), 415), but would be subject to the applicable nondiscrimination rules.	Individuals age 50 or older would be allowed to make annual catch-up contributions to salary reduction arrangements of the following amounts: <table border="1" data-bbox="1155 357 1512 600"> <thead> <tr> <th>Year</th> <th>Limit</th> </tr> </thead> <tbody> <tr> <td>2002-2004</td> <td>\$ 500</td> </tr> <tr> <td>2005-2006</td> <td>\$1,000</td> </tr> <tr> <td>2007</td> <td>\$2,000</td> </tr> <tr> <td>2008</td> <td>\$3,000</td> </tr> <tr> <td>2009</td> <td>\$4,000</td> </tr> <tr> <td>2010+</td> <td>\$7,500</td> </tr> </tbody> </table> Such catch-up contributions would not be subject to any other contribution limits and would not be subject to nondiscrimination rules.	Year	Limit	2002-2004	\$ 500	2005-2006	\$1,000	2007	\$2,000	2008	\$3,000	2009	\$4,000	2010+	\$7,500	Individuals age 50 or older would be allowed to make annual catch-up contributions to salary reduction arrangements of the following amounts: <table border="1" data-bbox="1638 389 1953 600"> <thead> <tr> <th>Year</th> <th>General</th> <th>SIMPLE</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>\$1,000</td> <td>\$ 500</td> </tr> <tr> <td>2003</td> <td>\$2,000</td> <td>\$1,000</td> </tr> <tr> <td>2004</td> <td>\$3,000</td> <td>\$1,500</td> </tr> <tr> <td>2005</td> <td>\$4,000</td> <td>\$2,000</td> </tr> <tr> <td>2006</td> <td>\$5,000</td> <td>\$2,500</td> </tr> </tbody> </table> Amounts are indexed for inflation beginning in 2007 (in \$500 increments). Such catch-up contributions would not be subject to any other contribution limits and would not be subject to any nondiscrimination rules, except that plan would have to allow all eligible individuals to participate in the catch-up in the same manner.	Year	General	SIMPLE	2002	\$1,000	\$ 500	2003	\$2,000	\$1,000	2004	\$3,000	\$1,500	2005	\$4,000	\$2,000	2006	\$5,000	\$2,500
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<b>Increase Percentage of Salary Limitations</b>	Total annual additions to defined contribution plans for any employee is generally limited to the lesser of \$30,000 or 25% of compensation. Generally, for section 457(b) plans, total annual contributions are limited to 33a% of compensation. Section 403(b) arrangements are also subject to a set of complex maximum exclusion	Beginning in 2002, the 25% of compensation limitation would be increased to 100%. The 33a% of compensation limit of section 457(b) would be increased to 100% of compensation. The MEA rules would be repealed.	The 25% & 33 1/3% of compensation limitations would be increased to 50% for 2002-2010 and to 100% thereafter. The MEA rules would be repealed in 2010.	Generally, follows the House bill.																																

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	allowance (MEA) rules.															
<b>Faster Vesting of Employer Matching Contributions</b>	Employer contributions to most retirement plans either must be fully vested after the employee has completed five years of service, or must become vested in increments of 20% for each year beginning with the employee's third year of service, with full vesting after the employee has completed seven years of service.	Beginning in 2002, employer matching contributions would be required either to be fully vested after an employee has completed three years of service or to become vested in increments of 20% for each year beginning with the employee's second year of service, with full vesting after the employee has completed six years of service.	Same as House bill.	Includes provision from House and Senate bills.												
<b>Credit for Low- and Middle-Income Savers</b>	No provision.	No provision.	<p>A targeted non-refundable tax credit would be provided to low- and moderate-income savers who make salary reduction contributions to eligible retirement savings plans (e.g., 401(k), 403(b), 457(b), or IRAs). The credit would be claimed on the individual's tax return, and would apply to the first \$2,000 in savings contributions. The amount of the credit would generally be based on the following AGI schedule:</p> <table border="0" data-bbox="1094 1065 1570 1198"> <thead> <tr> <th data-bbox="1094 1065 1171 1092"><u>Credit</u></th> <th data-bbox="1178 1065 1304 1092"><u>Individual</u></th> <th data-bbox="1373 1065 1436 1092"><u>Joint</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="1094 1097 1150 1125">50%</td> <td data-bbox="1171 1097 1304 1125">\$0-\$15,000</td> <td data-bbox="1373 1097 1514 1125">\$0-\$30,000</td> </tr> <tr> <td data-bbox="1094 1130 1150 1157">20%</td> <td data-bbox="1171 1130 1367 1157">\$15,001-\$16,250</td> <td data-bbox="1373 1130 1570 1157">\$30,001-\$32,500</td> </tr> <tr> <td data-bbox="1094 1162 1150 1190">10%</td> <td data-bbox="1171 1162 1367 1190">\$16,251-\$25,000</td> <td data-bbox="1373 1162 1570 1190">\$32,501-\$50,000</td> </tr> </tbody> </table> <p>Contributions to eligible retirement savings plans would continue to be deductible or excludable from income as under current law. If a potential credit recipient (or such person's spouse) receives a pre-retirement distribution in</p>	<u>Credit</u>	<u>Individual</u>	<u>Joint</u>	50%	\$0-\$15,000	\$0-\$30,000	20%	\$15,001-\$16,250	\$30,001-\$32,500	10%	\$16,251-\$25,000	\$32,501-\$50,000	Follows Senate bill.
<u>Credit</u>	<u>Individual</u>	<u>Joint</u>														
50%	\$0-\$15,000	\$0-\$30,000														
20%	\$15,001-\$16,250	\$30,001-\$32,500														
10%	\$16,251-\$25,000	\$32,501-\$50,000														

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			<p>any year, the ability to receive a government match in that year or in the two subsequent years will be reduced by the amount of the distribution.</p> <p>The credit would be available only from 2002-2006.</p>	
<b>PROPOSALS TARGETED PRIMARILY AT SMALL BUSINESSES</b>				
<b>Top-Heavy Rules</b>	<p>Section 416 establishes complicated testing rules for determining whether or not a plan is top-heavy (e.g., whether “key employees” are deemed to be receiving an excessive proportion of the plan benefits). Top-heavy plans are required to satisfy a special vesting schedule and make minimum contributions or accruals for “non-key” employees. Plans which are “super top-heavy” must make additional minimum contributions or accruals and are subject to a lower aggregate limitation under section 415(e).</p>	<p>Beginning in 2002, the top heavy rules would be simplified in a variety of ways. For example, the following changes would be made:</p> <ul style="list-style-type: none"> <li>•Family aggregation rules would be modified for purposes of determining key employees.</li> <li>•Key employee definition would be modified.</li> <li>•Count matching contributions toward satisfying minimum contribution rules.</li> <li>•Look-back rules would be shortened.</li> <li>•Plans meeting the section 401(k); and section 401(m) design-based discrimination testing safe harbors would not be top-heavy.</li> </ul>	<p>Similar to House bill, except that (1) family aggregation changes would not be made; (2) key employee definition changes would be more limited; and (3) safe harbor plans would not receive relief from the top-heavy rules.</p>	<p>Generally, follows House bill, except that “key employees” would be defined to include (1) an officer with compensation in excess of \$130,000; (2) a 5% owner; and (3) a 1% owner with compensation in excess of \$150,000 and the family aggregation rules would not be modified for purposes of determining key employees.</p>
<b>Small Business Tax Credits</b>	<p>No provision.</p>	<p>No provision.</p>	<p>Certain small employers would be able to claim two non-refundable tax credits in connection with retirement plans. The first would be for 50% of certain employer contributions made to certain qualifying employment-based retirement plans on behalf of non-highly compensated employees and would be</p>	<p>Follows Senate bill with respect to the second, “start-up” expense credit. This credit would be available beginning for new plans established in 2002. Other credit is not included.</p>

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			available only during the first 3 plan years to employers with 20 or fewer employees. The second credit would apply to 50% of the first \$1,000 in administrative and retirement-education expenses ("start-up expenses") for three years after establishing a new employment-based retirement plan and would be available to employers with 100 or fewer employees. No deduction would be allowed for the amount claimed as a credit.	
<b>Deduction Limit for Stock Bonus and Profit Sharing Plans</b>	An employer's deduction for contributions to a profit-sharing or stock bonus plan is generally limited to 15% of the taxable compensation of the plan's participants. The limit on deductions to other types of plans is generally 25%.	The annual limitation on the amount of deductible contributions to a profit-sharing or stock bonus plan would be increased from 15% to 20% of compensation of the employees covered by the plan for the year.	Generally same as House bill, except that the annual limitation would be increased from 15% to 25% of compensation of the employees covered by the plan for the year.	Follows Senate bill.
<b>INCREASING PORTABILITY FOR PARTICIPANTS</b>				
<b>Rollovers Among Various Types of Employment-Based Retirement Plans</b>	Amounts in a section 401(a) plan or section 403(b) arrangement generally may only be rolled over to the same type of plan or arrangement or to an IRA. Amounts in section 457(b) plans may only be transferred from one section 457(b) plan to another section 457(b) plan.	Beginning in 2002, amounts in section 401(a) plans or section 403(b) arrangements, or section 457(b) plans maintained by a state or local government generally could be rolled over to another section 401 plan, a section 403(b) arrangement, a section 457(b) plan maintained by a state or local government, or an IRA.	Same as House bill.	Includes provision from House and Senate bills.

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<b>Rollovers of After-Tax Contributions</b>	Employees are allowed to make after-tax contributions to 401(k) and other plans. They are not permitted to rollover distributions of those after-tax contributions into an IRA or another plan.	Beginning in 2002, after-tax employee contributions could be rolled over to other plans and IRAs.	Same as House bill.	Includes provision from House and Senate bills.
<b>Rollovers From Contributory IRAs To Qualified Plans</b>	Rollovers of amounts originally contributed directly into an IRA (“contributory IRAs”) into any type of employment-based plan generally are not allowed.	Beginning in 2002, contributory IRA amounts could be rolled over to a section 401(a) plan, a section 403(b) arrangement, a section 457(b) plan maintained by a state or local government, or another IRA.	Same as House bill.	Includes provision from House and Senate bills.
<b>“Same Desk Rule” Repeal</b>	In some cases, 401(k) plan distributions are limited to separation from service with the employer. The term “separation from service” has been interpreted to not include a situation where the employee performs the same functions for a successor employer (the “same desk” rule). The same desk rule also applies to section 403(b) and 457(b) arrangements.	Beginning in 2002, the “same desk rule” would be eliminated by replacing “separation from service” in section 401(k)(2)(B) with “severance from employment.” Conforming changes would be made for 403(b) arrangements and section 457(b) plans.	Same as House bill.	Includes provision from House and Senate bills.
<b>Purchase of Service Credit in Government Defined Benefit Plans</b>	Under State law, employees of State and local governments often have the option of purchasing service credits in their State defined benefit pension plans. Employees cannot use money in section 403(b) arrangements or section	Beginning in 2002, State and local government employees would be able to use funds from their section 403(b) arrangements or section 457(b) plans to purchase service credits.	Same as House bill.	Includes provision from House and Senate bills.



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	457(b) plans to purchase service credits.			
<b>OTHER PROPOSALS STRENGTHENING PENSION SECURITY, EDUCATION AND ENFORCEMENT</b>				
<b>Repeal of Funding Limit</b>	Contributions to a defined benefit plan are not deductible to the extent that plan assets exceed the lesser of (1) 160% (in 2001) of the plan's current liability, or (2) a limitation based on a reasonable projection of benefits. The 160% figure is scheduled be phased up to 170% by the year 2005.	The full funding limit would be 165% of current liability for plan years beginning in 2002, 170% in 2003, and repealed in 2004 and after.	Generally same as House bill except that the phase-up and repeal would be delayed one year.	With respect to timing of repeal of full funding limit, follows House bill.
<b>Additional Disclosure Re: Significant Reduction in Benefit Accruals (Including Cash Balance Plan Conversions)</b>	Under ERISA section 204(h), a defined benefit plan or a money purchase pension plan may not be amended in a manner that results in a significant reduction in the rate of future benefit accrual unless, after the adoption of the plan amendment (and not less than 15 days before the effective date of the plan amendment), the plan administrator provides a written notice to affected participants and alternate payees. The notice must either (1) specify the plan amendment and its effective date, or (2) contain a summary of the amendment and effective date, written in a manner calculated to be	A defined benefit plan or money purchase pension plan would be required to provide participants with a written notice concerning a plan amendment that provides for a significant reduction in future benefit accruals under the plan (including any elimination or reduction of an early retirement benefit). The Secretary of the Treasury could exempt or provide a simplified form of notice for a plan which has fewer than 100 participants who have accrued a benefit under the plan or which offers participants the option to choose between the new benefit formula and the old benefit formula.  The notice would be required to	Similar to House bill. Participants (and participant's alternate payees) would have to receive a written notice 45 days prior to the effective date of a plan amendment that provides for a significant reduction in the rate of future benefit accrual, including any elimination or reduction of an early retirement benefit or retirement-type subsidy. The notice would include the following information: (1) the effective date of the amendment; (2) a statement that the amendment is expected to reduce the rate of future benefit accrual; (3) a description of the classes of employees expected to be affected by the reduction; (4) examples illustrating the plan changes for these classes of employees; (5) in the case of a "significant restructuring of the plan benefit formula", a notice that the plan administrator will provide a "benefit	Follows House bill, except that ERISA is amended to provide that plan amendment providing for a significant reduction in the rate of future benefit accruals will not be permitted where there has been an egregious failure by the plan administrator to comply with the notice requirements. Also, the current ERISA notice requirement is expanded to early retirement benefits. Moreover, the provision requiring a study on cash balance conversions is omitted.

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	<p>understood by the average plan participant and contains the effective date.</p>	<p>describe the benefit reduction caused by the plan amendment in a manner calculated to be understood by the average plan participant, and generally would have to be provided within a reasonable time period prior to the effective date of the plan amendment.</p> <p>The penalty for failure to comply with the notice requirements would equal \$100 per day per omitted party with a maximum penalty of \$500,000 in any year (except in cases of willful neglect). The Secretary of the Treasury could waive this penalty if reasonable cause for failure is shown. The changes with respect to notices of significant benefit reductions apply to plan amendments that take effect after the date of enactment, although transitional relief is provided. Regulations are required within 90 days of enactment. A study on cash balance conversions is required within 60 days after the date of enactment.</p>	<p>estimation tool kit” at least 15 days prior to the amendment effective date to help employees personalize illustrations; and (6) notice of each member’s right to request an annual benefit statement.</p> <p>Failure to meet the new requirements would result in the imposition of an excise tax, as in the House bill.</p> <p>A study on cash balance conversions is required within one year after the date of enactment.</p>	
<p><b>Treatment of Multiemployer Plans Under Section 415</b></p>	<p>Under section 415(b), annual benefits payable under a defined benefit plan are limited to the lesser of \$140,000 (for 2001) or 100% of “three-year-high-average compensation.” A reduction in the dollar or percentage</p>	<p>Beginning in 2002, the section 415(b) limits applicable to multiemployer plans would be modified to eliminate the 100% of compensation limit (but not the dollar limit) for such plans. With respect to aggregation of multiemployer plans with other</p>	<p>Similar to House bill.</p>	<p>Follows House bill.</p>

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	limit for defined benefit plans may be required if the employee has fewer than ten years of plan participation or service. Plans maintained by state & local governments are generally exempt from the 100% of compensation limit	plans, multiemployer plans would not be aggregated with single-employer defined benefit plans maintained by an employer contributing to the multiemployer plan for purposes of applying the 100% of compensation limit to such single-employer plan.		
<b>ESOP Dividends May Be Reinvested Without Loss of Dividend Deductions</b>	Dividend deductions are allowed under section 404(k) on dividends paid on employer stock to an unleveraged ESOP only if the dividends are paid to employees in cash; the deduction is denied if the dividends remain in the ESOP for reinvestment.	Beginning in 2002, an employer would be allowed to deduct dividends paid to an ESOP when its employees are allowed to elect to take the dividends in cash or leave them in the plan for reinvestment in employer stock. The Secretary of the Treasury would be able to disallow the deduction for any ESOP dividend if it is determined that such dividend constitutes an avoidance or evasion of tax.	Similar to House bill, except that the dividend that could be deducted would be limited to 25% for 2002-2004, 50% for 2005-2007, 75% for 2008-2010, and 100% for 2011 and thereafter.	Generally follows House bill, with clarification that the Secretary of the Treasury's authority includes the authority to disallow dividend deduction for unreasonable dividends.
<b>Automatic Rollovers of Certain Mandatory Distributions</b>	A plan may provide for the automatic distribution ("cash-out") of certain vested accrued benefits that do not exceed \$5,000. The plan is not required to rollover such amounts to another retirement savings vehicle.	No provision.	A plan that provides mandatory "cash-outs" of vested accrued benefits would be required to directly transfer such distributions to an IRA ("default IRA") or other qualified retirement vehicle unless the participant affirmatively elects to receive the distribution directly. The proposal would not apply to distributions of \$1,000 or less. Limited fiduciary relief is provided to plan fiduciary with respect to the selection of the default IRA. The Department of Labor (DOL) is directed to issue safe harbors with respect to the designation of an institution and investment of funds.	Generally, follows Senate bill, except that the DOL is required to adopt final regulations not later than three years after the date of enactment.

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			The provision is not effective until final DOL regulations are published.	
<b>Other Provisions</b>	A number of complex and often counter-intuitive rules apply to employment-based retirement plans.	Overly complex rules that inhibit creation and maintenance of employment-based retirement plans would be streamlined, improved, and simplified.	In most respects, same as or similar to the House bill.	Generally, includes a variety of provisions simplifying law from both House and Senate bills.
<b>Sunset</b>	The Budget Act creates a supermajority point of order against provisions in a budget reconciliation bill that lose revenue after the initial 10-year period.	No provision.	All provisions in the Senate bill sunset as of September 30, 2011.	Similar to Senate bill -- all provisions of the bill do not apply to taxable, plan or limitation years beginning after December 31, 2010.