To amend the Internal Revenue Code of 1986 to encourage retirement savings by modifying requirements with respect to employer-established IRAs, and for other purposes.

In the House of Representatives

April 14, 2011

Mr. Kind (for himself and Mr. Reichert) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

A Bill

To amend the Internal Revenue Code of 1986 to encourage retirement savings by modifying requirements with respect to employer-established IRAs, and for other purposes.

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

Section 1. Short Title; Table of Contents.

(a) Short Title.—This Act may be cited as the “Small Businesses Add Value for Employees Act of 2011” or the “SAVE Act of 2011”.

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

Sec. 1. Short title; table of contents.
Sec. 2. Elimination of restriction on SIMPLE IRA rollovers.
Sec. 3. Allowing mid-year SIMPLE IRA plan termination.
Sec. 4. Elimination of higher penalty on early SIMPLE IRA distributions.
Sec. 5. Increase in contributions allowed for SIMPLE IRA.
Sec. 6. SIMPLE 401(k) parity for additional nonelective employer contributions.
Sec. 7. Automatic deferral IRAs.
Sec. 8. 401(k) automatic deferral percentage parity.
Sec. 9. Limited transfer of unused balance in flexible spending arrangement.
Sec. 10. Prior years compensation taken into account in determining maximum retirement savings deduction.
Sec. 11. Expanding small employer pension plan startup cost credit.
Sec. 12. Financial education.
Sec. 13. Multiple small employer plan.
Sec. 15. Clarification of treatment of individual retirement plans with payroll deduction.
Sec. 16. Disclosure regarding lifetime income.

SEC. 2. ELIMINATION OF RESTRICTION ON SIMPLE IRA ROLLOVERS.

(a) IN GENERAL.—Paragraph (3) of section 408(d) of the Internal Revenue Code of 1986 (relating to rollover contribution) is amended by striking subparagraph (G).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions in taxable years beginning after the date of the enactment of this Act.

SEC. 3. ALLOWING MID-YEAR SIMPLE IRA PLAN TERMINATION.

(a) IN GENERAL.—Subsection (p) of section 408 of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:
“(11) Special rules relating to mid-year termination.—

“(A) In general.—An employer may elect to terminate (in such form and manner as the Secretary may provide) the qualified salary reduction arrangement of the employer at any time during the year.

“(B) Proration and application of qualified plan limitation.—In the case of a year during which an employer terminates a qualified salary reduction arrangement before the end of such year—

“(i) the applicable dollar amount in effect for such year shall be prorated to the date of such termination,

“(ii) for purposes of determining the compensation of an employee for such arrangement for such year, the year of such termination shall be treated as ending on the date of such termination, and

“(iii) subparagraph (D) of paragraph (2) shall not apply with respect to a qualified plan maintained in such year only after the date of such termination.”.
(b) **Effective Date.**—The amendments made by this section shall apply to years beginning after the date of the enactment of this Act.

**SEC. 4. ELIMINATION OF HIGHER PENALTY ON EARLY SIMPLE IRA DISTRIBUTIONS.**

(a) **In General.**—Subsection (t) of section 72 of the Internal Revenue Code of 1986 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by striking paragraph (6).

(b) **Effective Date.**—The amendment made by this section shall apply to distributions in taxable years beginning after the date of the enactment of this Act.

**SEC. 5. INCREASE IN CONTRIBUTIONS ALLOWED FOR SIMPLE IRA.**

(a) **Additional Nonelective Employer Contributions Allowed.**—

(1) **In General.**—Subparagraph (A) of section 408(p)(2) of the Internal Revenue Code of 1986 (relating to qualified salary reduction arrangement) is amended by striking “and” at the end of clause (iii), by redesignating clause (iv) as clause (v), and by inserting after clause (iii) the following new clause:

“(iv) the employer may make, in addition to any other contribution under this paragraph, nonelective contributions of not
more than 10 percent of compensation (subject to the limitation described in sub-
paragraph (B)(ii)) for each employee who is eligible to participate in the arrangement and who has at least $5,000 of compensa-
tion from the employer for the year, and’’.

(2) CONFORMING AMENDMENT.—Clause (v) of section 408(p)(2)(A) of such Code, as redesignated by this section, is amended by striking “clause (i) or (iii)” and inserting “clause (i), (iii), or (iv)”.

(b) INCREASE IN ELECTIVE CONTRIBUTION LIMITA-
TION.—Subparagraph (E) of section 408(p)(2) is amend-
ed to read as follows:

“(E) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the applicable dollar amount in effect under subparagraph (B) of section 402(g)(1).”.

(c) SIMPLE IRA SUBJECT TO DEFINED CONTRIBUTION PLAN LIMITATION.—Subsection (p) of section 408 of such Code is amended by adding at the end the fol-
lowing new paragraph:

“(11) SUBJECT TO DEFINED CONTRIBUTION PLAN LIMITATION.—An arrangement shall not be treated as a qualified salary reduction arrangement
for any year if contributions with respect to any em-
ployee for the year exceed the limitation of para-
graph (1) of section 415(c) (relating to limitation for
defined contribution plans).”.

(d) Effective Date.—The amendments made by
this section shall apply to contributions for taxable years
beginning after December 31, 2011.

SEC. 6. SIMPLE 401(k) PARITY FOR ADDITIONAL NONELEC-
TIVE EMPLOYER CONTRIBUTIONS.

(a) In General.—Subparagraph (B) of section
401(k)(11) of such Code (relating to contribution require-
ments) is amended by adding at the end the following new
clause:

“(iv) Special rule for additional
nonelective employer contribu-
tions.—An arrangement shall not be
treated as failing to meet the requirements
of this subparagraph merely because under
such arrangement the employer makes, in
addition to any other contribution under
this subparagraph, nonelective contribu-
tions of not more than 10 percent of com-
pensation for each employee who is eligible
to participate in the arrangement and who
has at least $5,000 of compensation from the employer for the year.”.

(b) Effective Date.—The amendment made by this section shall apply to plan years beginning after December 31, 2011.

SEC. 7. AUTOMATIC DEFERRAL IRAS.

(a) In General.—Subpart A of part I of subchapter D of chapter 1 of the Internal Revenue Code of 1986 (relating to pension, profit-sharing, stock bonus plans, etc.) is amended by inserting after section 408A the following new section:

“SEC. 408B. AUTOMATIC DEFERRAL IRAS.

“(a) In General.—An automatic deferral IRA shall be treated for purposes of this title in the same manner as an individual retirement plan. An automatic deferral IRA may also be treated as a Roth IRA for purposes of this title if it meets the requirements of section 408A.

“(b) Automatic Deferral IRA.—For purposes of this section, the term ‘automatic deferral IRA’ means an individual retirement plan (as defined in section 7701(a)(37)) with respect to which contributions are made under an arrangement which satisfies the requirements of paragraphs (1) through (4) of subsection (c).

“(c) Automatic Deferral IRA Arrangements.—

“(1) Enrollment.—
“(A) IN GENERAL.—The requirements of this paragraph are met if each employee eligible to participate in the arrangement is treated as having elected to have the employer make payments as elective contributions to an automatic deferral IRA on behalf of such employee (which would have otherwise been made to the employee directly in cash) in an amount equal to so much of a qualified percentage of compensation of such employee as does not exceed the deductible amount for such year (within the meaning of section 219(b)).

“(B) ELIGIBILITY.—An employee is eligible to participate if such employee is described in paragraph (2) of section 408(k), except that for purposes of determining whether an employee is described in such paragraph, subparagraph (C) thereof shall be applied by substituting ‘$5,000’ for ‘$450’.

“(C) ELECTION OUT.—The election treated as having been made under subparagraph (A) shall cease to apply with respect to any employee who makes an affirmative election—

“(i) to not have such elective contributions made, or
“(ii) not later than the close of the 30-day period beginning on the date of the first contribution with respect to such employee, to make elective contributions at a level specified in such affirmative election.

“(D) QUALIFIED PERCENTAGE.—For purposes of this paragraph, the term ‘qualified percentage’ means, with respect to any employee, any percentage determined under the trust agreement if such percentage is applied uniformly, does not exceed 15 percent, and is at least—

“(i) 3 percent during the period ending on the last day of the first plan year which begins after the date on which the first elective contribution described in subparagraph (A) is made with respect to such employee, and

“(ii) during any subsequent plan year, a percentage equal to—

“(I) 3 percent, plus

“(II) 1 percent multiplied by the number of plan years (but not more than 12) beginning after the plan year described in clause (i).
“(2) NOTICE.—

“(A) IN GENERAL.—The requirements of this paragraph are met if, within a reasonable period before the first day an employee is eligible to participate in the arrangement, the employee receives written notice of the employee’s rights and obligations under the arrangement which—

“(i) is sufficiently accurate and comprehensive to apprise the employee of such rights, and

“(ii) is written in a manner calculated to be understood by the average employee to whom the arrangement applies.

“(B) TIMING AND CONTENT.—A notice shall not be treated as meeting the requirements of subparagraph (A) with respect to an employee unless—

“(i) the notice explains the employee’s right to elect not to have elective contributions made on the employee’s behalf (or to elect to have such contributions made at a different percentage),

“(ii) the notice explains how contributions made under the arrangement will be
invested in the absence of any investment
election by the employee, and

“(iii) the employee has a reasonable
period of time after receipt of the notice
described in clauses (i) and (ii) and before
the first elective contribution is made to
make either such election.

“(3) DEFAULT INVESTMENT ARRANGEMENT.—
The requirements of this paragraph are met if—

“(A) in the absence of an investment elec-
tion by the employee with respect to the em-
ployee’s interest in the trust, such interest is in-
vested as provided in regulations prescribed
pursuant to subparagraph (A) of section
404(c)(5) of the Employee Retirement Income
Security Act of 1974, and

“(B) the employer provides each employee
who has an interest in the trust, notice which
meets the requirements of subparagraph (B) of
such section.

“(4) ADMINISTRATIVE REQUIREMENTS.—The
requirements of this paragraph are met if—

“(A) an employer must make the elective
employer contributions under paragraph (1)(A)
not later than the close of the 30-day period
following the last day of the month with respect to which the contributions are to be made,

“(B) an employee may elect to terminate participation in the arrangement at any time during the year, except that if the employee so terminates, the arrangement may provide that the employee may elect to resume participation until the beginning of the next year, and

“(C) each employee eligible to participate may elect, during the 30-day period before the beginning of any year, or to modify the amount subject to such arrangement, for such year.”.

(b) PREEMPTION OF CONFLICTING STATE LAWS.—Any law of a State shall be superseded if it would directly or indirectly prohibit or restrict an employer from creating or organizing an automatic deferral IRA (as defined in section 408B of the Internal Revenue Service of 1986).

(c) CLERICAL AMENDMENT.—The table of sections for subpart A of part I of subchapter D of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to 408A the following new item:

“408B. Automatic deferral IRAs.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.
SEC. 8. 401(k) AUTOMATIC DEFERRAL PERCENTAGE PAR-
ITY.

(a) In General.—Clause (iii) of section 401(k)(13)(C) of the Internal Revenue Code of 1986 is amended by striking “10 percent” and inserting “15 per-
cent”.

(b) Effective Date.—The amendment made by this section shall apply to plan years beginning after De-
cember 31, 2011.

SEC. 9. LIMITED TRANSFER OF UNUSED BALANCE IN FLEXIBLE SPENDING ARRANGEMENT.

(a) In General.—Section 125 of the Internal Rev-

ue Code of 1986 is amended by redesignating sub-
sections (i) and (j) as subsections (j) and (k), respectively, and by inserting after subsection (h) the following new subsection:

“(i) Special Rule for Unused Benefits in Flexible Spending Arrangements.—

“(1) In general.—For purposes of this title, a plan or other arrangement shall not fail to be treated as a cafeteria plan or flexible spending ar-

rangement merely because such arrangement pro-
vides for qualified retirement distributions.

“(2) Qualified retirement distribution.—

“(A) In general.—For purposes of this section, the term ‘qualified retirement distribu-

...
tion' means any distribution to an individual of
all or a portion of the employee’s account under
such arrangement, but only to the extent—
“(i) the amount does not exceed the
lesser of—
“(I) $250, or
“(II) the unused benefits with re-
spect to the arrangement, and
“(ii) the amount received is paid into
a qualified retirement plan (as defined in
section 4974(c)), or an eligible deferred
compensation plan (as defined in section
457(b)) of an eligible employer described in
section 457(e)(1)(A), of the individual not
later than the 60th day after the day on
which the individual receives the payment
or distribution.
“(B) UNUSED BENEFITS.—For purposes
of this paragraph, the term ‘unused benefits’
means, with respect to an employee, the excess
of—
“(i) the maximum amount of reim-
bursement allowable to the employee dur-
ing a plan year under a flexible spending
arrangement, over
“(ii) the actual amount of reimbursement during such year under such arrangement.

“(C) Special rules for treatment of contributions to retirement plans.—For purposes of this title, qualified retirement distributions—

“(i) shall be treated as elective deferrals (as defined in section 402(g)(3)) in the case of contributions to a qualified cash or deferred arrangement (as defined in section 401(k)) or to an annuity contract described in section 403(b),

“(ii) shall be treated as employer contributions to which the employee has a nonforfeitable right in the case of a plan which is described in section 401(a) which includes a trust exempt from tax under section 501(a),

“(iii) shall be treated as deferred compensation in the case of contributions to an eligible deferred compensation plan (as defined in section 457(b)), and

“(iv) shall be treated in the manner designated for purposes of section 408 or
408A in the case of contributions to an individual retirement plan.’’.

(b) Effective Date.—The amendments made by this section shall apply to plan years ending after the date of the enactment of this Act.

SEC. 10. PRIOR YEARS COMPENSATION TAKEN INTO ACCOUNT IN DETERMINING MAXIMUM RETIREMENT SAVINGS DEDUCTION.

(a) In General.—Subparagraph (B) of section 219(b)(1) of the Internal Revenue Code of 1986 is amended by striking ‘‘for such taxable year’’ and inserting ‘‘for the preceding taxable year’’.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 11. EXPANDING SMALL EMPLOYER PENSION PLAN STARTUP COST CREDIT.

(a) In General.—

(1) Including startup costs for employer-established IRAs.—Paragraph (2) of section 45E(d) of the Internal Revenue Code of 1986 (defining eligible employer plan) is amended by striking ‘‘means a qualified employer plan’’ and all that follows and inserting: ‘‘means—
“(A) a qualified employer plan within the meaning of section 4972(d), or

“(B) a plan of which a trust described in section 408(c) is a part.”.

(2) ADDITIONAL CREDIT AMOUNT.—

(A) IN GENERAL.—Subsection (a) of section 45E of such Code is amended by striking “50 percent of” and all that follows and inserting “the sum of—

“(1) the applicable percentage of the qualified startup costs paid or incurred by the taxpayer during the taxable year, plus

“(2) $25 multiplied by the number of employees of the employer who participate in any eligible employer plan of the employer for the first time in such taxable year.”.

(B) APPLICABLE PERCENTAGE.—Subsection (d) of section 45E of such Code is amended by adding at the end the following new paragraph:

“(4) APPLICABLE PERCENTAGE.—The applicable percentage is—

“(A) in the case of a plan described in subsection (d)(2)(A), 75 percent, or
“(B) in the case of a plan described in subsection (d)(2)(B), 50 percent.”.

(C) CONFORMING AMENDMENT.—Paragraph (2) of section 45E(c) of such Code (defining eligible employer) is amended—

(i) by striking “qualified employer plan” in each place it appears and inserting “eligible employer plan”, and

(ii) by striking “QUALIFIED” in the heading thereof and inserting “ELIGIBLE”.

(3) INCREASED LIMITATION.—Paragraph (1) of section 45E(b) of such Code is amended by striking “$500” and inserting “$750 ($2,000 in the case of qualified startup costs attributable to a plan described in subsection (d)(2)(A))”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to costs paid or incurred in taxable years beginning after the date of the enactment of this Act.

SEC. 12. FINANCIAL EDUCATION.

(a) RETIREMENT PLAN EDUCATION FOR SMALL BUSINESSES.—Not later than 6 months after the date of the enactment of this Act—

(1) the Department of the Treasury Office of Financial Education, in consultation with the De-
partment of Labor, shall develop and implement an outreach plan to educate small businesses on the types of retirement plans available and the benefits and requirements of such plans, and

(2) the Secretary of the Treasury and the Secretary of Labor shall develop recommendations for small businesses in order to improve retirement outcomes. Such recommendations shall take into account established behavioral trends of employee investment and the effect of default design features such as auto escalation, expansion of auto rollovers, auto diversification for near retirees, and automatic forms of distribution.

(b) FINANCIAL LITERACY.—

(1) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury, in consultation with the Secretary of Education, shall develop sample age-appropriate curricula to be made available for financial literacy education in elementary and secondary schools.

(2) CONTENT OF CURRICULA.—Such curricula shall include the following:

(A) How to balance a checkbook, read a credit card statement, and calculate interest rates.
(B) What a pay stub is and why Federal and State income taxes and Social Security and Medicare taxes are withheld from wages.

(C) The differences between various types of bank accounts.

(D) The significance of a credit score and how to read credit reports.

(E) The marketing techniques frequently used by individuals and businesses to attract patrons.

(F) The importance of saving for college and retirement, including the various methods for saving such as traditional pensions, 401(k)s, and IRAs.

SEC. 13. MULTIPLE SMALL EMPLOYER PLAN.

(a) In general.—Paragraph (11) of section 401(k) of the Internal Revenue Code of 1986 is amended by adding the following at the end thereof:

“(E) MULTIPLE SMALL EMPLOYER PLAN.—

“(i) In general.—In the case of a plan described in clause (ii)—

“(I) the amount described in subparagraph (B)(i)(I) shall be $10,000,
in lieu of the amount in effect under section 408(p)(2)(A)(ii),

“(II) such $10,000 amount shall be adjusted as described in section 408(p)(2)(E)(ii) except that the base period taken into account shall be the calendar quarter beginning July 1, 2011,

“(III) subclause (II) of subparagraph (B)(i) and clause (ii) of subparagraph (B) shall not apply, and

“(IV) section 414(v) shall not apply.

“(ii) PLAN DESCRIBED.—A plan is described in this clause if the plan satisfies the following requirements:

“(I) Such plan satisfies the requirements of this paragraph, as modified by clause (i).

“(II) The plan is described in section 413(c).

“(III) The plan includes a qualified automatic contribution arrangement, as defined in paragraph (13), except that subparagraph (D) of para-
graph (13) shall not apply and the qualified percentage shall be determined by reference to subclauses (I), (II), (III), and (IV) of paragraph (13)(C)(iii).

“(IV) The plan does not permit any participant or beneficiary to receive or maintain a loan from the plan.

“(V) The plan does not permit hardship distributions described in paragraph (2)(B)(i)(IV) except to the extent any such distribution is deemed, under regulations prescribed by the Secretary, to be on account of an immediate and heavy financial need of the employee and necessary to satisfy an immediate and heavy financial need of the employee.

“(VI) The plan is maintained pursuant to a model plan document published by the Secretary.”.

(b) Simplification.—

(1) Model plan.—Within one year of the date of the enactment of this Act, the Secretary of the
Treasury shall publish a model plan that may be used to satisfy the requirement of subclause (VI) of section 401(k)(11)(E)(ii) of the Internal Revenue Code of 1986.

(2) **Protection against Loss.**—Within 120 days of the date of the enactment of this Act, the Secretary of Labor shall amend Department of Labor Regulation section 2550.404c–5(e)(4)(iv)(B) so that, in the case of a plan described in section 401(k)(11)(E) of such Code “four years” shall be substituted for “120 days”.

(3) **Clarifying duties and reducing burdens.**—Within one year of the date of the enactment of this Act, the Secretary of Labor shall—

(A) publish rules clarifying the extent to which the fiduciary duties of a participating employer and of a named fiduciary with respect to a plan described in section 401(k)(11)(E) of such Code are limited to prudently selecting and monitoring the provider of such plan and the services, fees, and investment options available from such provider, and

(B) prescribe interim final regulations providing simplified means by which plans described in section 401(k)(11)(E) of such Code
may satisfy the requirements of sections 102, 103, and 105 of the Employee Retirement Income Security Act of 1974.

(4) Elimination of disincentive to pooling.—Not later than one year after the date of the enactment of this Act, the Secretary of the Treasury shall prescribe final regulations under which a plan described in section 413(c) of such Code may be treated as satisfying the qualification requirements of section 401(a) of such Code despite the violation of such requirements with respect to one or more participating employers. Such rules may require that the portion of the plan attributable to such participating employers be spun off to plans maintained by such employers.

(e) Effective Date.—

(1) In general.—Except as provided in paragraph (2), the amendments made by this section shall apply to years beginning after December 31, 2011.

(2) Exception.—Subsection (b) shall apply as of the date of the enactment of this Act.
SEC. 14. CLARIFICATION OF TREATMENT OF MULTIPLE EMPLOYER DEFINED CONTRIBUTION PLANS.

(a) IN GENERAL.—Section 3(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(2)) is amended by adding at the end thereof the following new subparagraph:

“(C) A plan, fund, or program shall not fail to be treated as an employee pension benefit plan solely by reason of the plan, fund, or program being established or maintained by two or more employers whose only relationship is participation in the same plan, fund, or program. This subparagraph shall only apply to a plan, fund, or program that provides for an individual account for each participant and for benefits based solely upon the amount contributed to the participant’s account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants which may be allocated to such participant’s account.”.

(b) CONFORMING AMENDMENT.—Section 3(2)(A) of such Act is amended by striking “Except as provided in subparagraph (B)” and inserting “Except as provided in subparagraphs (B) and (C)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of this Act.
SEC. 15. CLARIFICATION OF TREATMENT OF INDIVIDUAL
RETIREMENT PLANS WITH PAYROLL DEDUCTION.

(a) In General.—Section 3(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(2)), as amended by this Act, is amended by adding at the end the following new subparagraph:

“(D) An individual retirement plan (as defined in section 7701(a)(37) of the Internal Revenue Code of 1986) shall not be considered a pension plan merely because an employer establishes a payroll deduction program for the purpose of enabling employees to make voluntary contributions to such account or annuity.”.

(b) Effective Date.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 16. DISCLOSURE REGARDING LIFETIME INCOME.

(a) In General.—Subparagraph (B) of section 105(a)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025(a)(2)) is amended—

(1) in clause (i), by striking “and” at the end;

(2) in clause (ii), by striking “diversification.”

and inserting “diversification, and”; and

(3) by inserting at the end the following:

“(iii) the lifetime income disclosure described in subparagraph (D)(i).
In the case of pension benefit statements described in clause (i) of paragraph (1)(A), a lifetime income disclosure under clause (iii) of this subparagraph shall only be required to be included in one pension benefit statement during any one 12-month period.”.

(b) LIFETIME INCOME.—Paragraph (2) of section 105(a) of such Act (29 U.S.C. 1025(a)) is amended by adding at the end the following new subparagraph:

“(D) LIFETIME INCOME DISCLOSURE.—

“(i) IN GENERAL.—

“(I) DISCLOSURE.—A lifetime income disclosure shall set forth the lifetime income stream equivalent of the total benefits accrued with respect to the participant or beneficiary.

“(II) LIFETIME INCOME STREAM EQUIVALENT OF THE TOTAL BENEFITS ACCRUED.—For purposes of this subparagraph, the term ‘lifetime income stream equivalent of the total benefits accrued’ means the amount of monthly payments the participant or beneficiary would receive if the total accrued benefits of such participant or
beneficiary were used to provide lifetime income streams described in subclause (III), based on assumptions specified in rules prescribed by the Secretary.

“(III) LIFETIME INCOME STREAMS.—The lifetime income streams described in this subclause are a qualified joint and survivor annuity (as defined in section 205(d)), based on assumptions specified in rules prescribed by the Secretary, including the assumption that the participant or beneficiary has a spouse of equal age, and a single life annuity. Such lifetime income streams may have a term certain or other features to the extent permitted under rules prescribed by the Secretary.

“(ii) MODEL DISCLOSURE.—Not later than 1 year after the date of the enactment of the Lifetime Income Disclosure Act, the Secretary shall issue a model lifetime income disclosure, written in a man-
ner so as to be understood by the average plan participant, that—

“(I) explains that the lifetime income stream equivalent is only provided as an illustration;

“(II) explains that the actual payments under the lifetime income stream described in clause (i)(III) that may be purchased with the total benefits accrued will depend on numerous factors and may vary substantially from the lifetime income stream equivalent in the disclosures;

“(III) explains the assumptions upon which the lifetime income stream equivalent was determined; and

“(IV) provides such other similar explanations as the Secretary considers appropriate.

“(iii) ASSUMPTIONS AND RULES.—

Not later than 1 year after the date of the enactment of the Lifetime Income Disclosure Act, the Secretary shall—

“(I) prescribe assumptions that administrators of individual account
plans may use in converting total accrued benefits into lifetime income stream equivalents for purposes of this subparagraph; and

“(II) issue interim final rules under clause (i).

In prescribing assumptions under subclause (I), the Secretary may prescribe a single set of specific assumptions (in which case the Secretary may issue tables or factors that facilitate such conversions), or ranges of permissible assumptions. To the extent that an accrued benefit is or may be invested in a lifetime income stream described in clause (i)(III), the assumptions prescribed under subclause (I) shall, to the extent appropriate, permit administrators of individual account plans to use the amounts payable under such lifetime income stream as a lifetime income stream equivalent.

“(iv) LIMITATION ON LIABILITY.—No plan fiduciary, plan sponsor, or other person shall have any liability under this title solely by reason of the provision of lifetime
income stream equivalents which are derived in accordance with the assumptions and rules described in clause (iii) and which include the explanations contained in the model lifetime income disclosure described in clause (ii). This clause shall apply without regard to whether the provision of such lifetime income stream equivalent is required by subparagraph (B)(iii).

“(v) Effective Date.—The requirement in subparagraph (B)(iii) shall apply to pension benefit statements furnished more than 12 months after the latest of the issuance by the Secretary of—

“(I) interim final rules under clause (i);

“(II) the model disclosure under clause (ii); or

“(III) the assumptions under clause (iii).”.

(c) Effective Date.—The amendments made by this section shall take effect on the date of the enactment of this Act.