

106TH CONGRESS  
1ST SESSION

# H. R. 1102

To provide for pension reform, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 11, 1999

Mr. PORTMAN (for himself, Mr. CARDIN, Mrs. JOHNSON of Connecticut, Mr. HOUGHTON, Mr. LEWIS of Georgia, Mr. WELLER, Mr. TANNER, Mr. BLUNT, Mr. BOEHNER, Mr. POMEROY, Mr. BENTSEN, Mr. KOLBE, Mrs. MORELLA, Mr. NUSSLE, Mr. MCCRERY, and Mr. RAMSTAD) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, and Government Reform, 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

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## A BILL

To provide for pension reform, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

4                       **TABLE OF CONTENTS.**

5       (a) SHORT TITLE.—This Act may be cited as the  
6       “Comprehensive Retirement Security and Pension Reform  
7       Act”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-  
 2 wise expressly provided, whenever in this Act an amend-  
 3 ment or repeal is expressed in terms of an amendment  
 4 to, or repeal of, a section or other provision, the reference  
 5 shall be considered to be made to a section or other provi-  
 6 sion of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; amendment of 1986 Code; table of contents.

#### TITLE I—EXPANDING COVERAGE

- Sec. 101. Restoration of limits formerly in effect.
- Sec. 102. Plan loans for subchapter S owners, partners, and sole proprietors.
- Sec. 103. Salary reduction only simple plans.
- Sec. 104. Modification of top-heavy rules.
- Sec. 105. Elective deferrals not taken into account for purposes of limits.
- Sec. 106. Reduced PBGC premium for new plans of small employers.
- Sec. 107. Phase-in of additional premium for new plans.
- Sec. 108. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
- Sec. 109. Elimination of user fee for requests to IRS regarding pension plans.
- Sec. 110. Alternative method of meeting nondiscrimination requirements for automatic contribution trust.
- Sec. 111. Deduction limits.
- Sec. 112. Option to treat elective deferrals as after-tax contributions.
- Sec. 113. Credit for pension plan startup costs of small employers.

#### TITLE II—ENHANCING FAIRNESS FOR WOMEN AND CHILDREN

- Sec. 201. Additional salary reduction catch-up contributions.
- Sec. 202. Equitable treatment for contributions of employees to defined contribution plans.
- Sec. 203. Faster vesting of certain employer matching contributions.
- Sec. 204. Deferred annuities for surviving spouses of Federal employees.
- Sec. 205. Simplify and update the minimum distribution rules.
- Sec. 206. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
- Sec. 207. Percentage limitations on contributions.
- Sec. 208. Eligible rollover distributions.
- Sec. 209. Immediate participation in the Thrift Savings Plan.

#### TITLE III—INCREASING PORTABILITY FOR PARTICIPANTS

- Sec. 301. Rollovers allowed among various types of plans.
- Sec. 302. Rollovers of IRAs into workplace retirement plans.
- Sec. 303. Rollovers of after-tax contributions.

- Sec. 304. Treatment of forms of distribution.
- Sec. 305. Rationalization of restrictions on distributions.
- Sec. 306. Purchase of service credit in governmental defined benefit plans.
- Sec. 307. Employers may disregard rollovers for purposes of cash-out amounts.

#### TITLE IV—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

- Sec. 401. Repeal of 150 percent of current liability funding limit.
- Sec. 402. Missing participants.
- Sec. 403. Periodic pension benefits statements.
- Sec. 404. Civil penalties for breach of fiduciary responsibility.
- Sec. 405. Penalty tax relief for sound pension funding.
- Sec. 406. Protection of investment of employee contributions to 401(k) plans.
- Sec. 407. Notice of significant reduction in benefit accruals.

#### TITLE V—REDUCING REGULATORY BURDENS

- Sec. 501. Intermediate sanctions for inadvertent failures.
- Sec. 502. Repeal of the multiple use test.
- Sec. 503. Safety valve from mechanical rules.
- Sec. 504. Reform of the line of business rules.
- Sec. 505. Coverage test flexibility.
- Sec. 506. Increase in retirement plan cash-out amount.
- Sec. 507. Modification of timing of plan valuations.
- Sec. 508. Section 457 inapplicable to certain mirror plans.
- Sec. 509. Substantial owner benefits in terminated plans.
- Sec. 510. ESOP dividends may be reinvested without loss of dividend deduction.
- Sec. 511. Modification of 403(b) exclusion allowance to conform to 415 modification.
- Sec. 512. Treatment of multiemployer plans under section 415.
- Sec. 513. Elimination of partial termination rules for multiemployer plans.
- Sec. 514. Notice and consent period regarding distributions.
- Sec. 515. Conforming amendments relating to election to receive taxable cash compensation in lieu of nontaxable parking benefits.
- Sec. 516. Extension to international organizations of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
- Sec. 517. Employees of tax-exempt entities.
- Sec. 518. Permissive aggregation of collective bargaining units.
- Sec. 519. Repeal of transition rule relating to certain highly compensated employees.
- Sec. 520. Clarification of treatment of employer-provided retirement advice.
- Sec. 521. Annual report dissemination.
- Sec. 522. Excess benefit plans.
- Sec. 523. Benefit suspension notice.
- Sec. 524. Provisions relating to plan amendments.
- Sec. 525. Reporting simplification.
- Sec. 526. Model plans for small businesses.

1 **TITLE I—EXPANDING COVERAGE**

2 **SEC. 101. RESTORATION OF LIMITS FORMERLY IN EFFECT.**

3 (a) **DEFINED BENEFIT PLANS.—**

4 (1) **DOLLAR LIMIT.—**(A) Subparagraph (A) of  
5 section 415(b)(1) (relating to limitation for defined  
6 benefit plans) is amended by striking “\$90,000” and  
7 inserting “\$180,000”.

8 (B) Subparagraphs (C) and (D) of section  
9 415(b)(2) are each amended by striking “\$90,000”  
10 each place it appears in the headings and the text  
11 and inserting “\$180,000”.

12 (C) Paragraph (7) of section 415(b) (relating to  
13 benefits under certain collectively bargained plans) is  
14 amended by striking “the greater of \$68,212 or one-  
15 half the amount otherwise applicable for such year  
16 under paragraph (1)(A) for ‘\$90,000’” and insert-  
17 ing “one-half the amount otherwise applicable for  
18 such year under paragraph (1)(A) for ‘\$180,000’”.

19 (2) **LIMIT REDUCED WHEN BENEFIT BEGINS**  
20 **BEFORE AGE 62.—**Subparagraph (C) of section  
21 415(b)(2) is amended by striking “the social security  
22 retirement age” each place it appears in the heading  
23 and text and inserting “age 62”.

24 (3) **LIMIT INCREASED WHEN BENEFIT BEGINS**  
25 **AFTER AGE 65.—**Subparagraph (D) of section

1 415(b)(2) is amended by striking “the social security  
2 retirement age” each place it appears in the heading  
3 and text and inserting “age 65”.

4 (4) MULTIEmployer PLANS AND PLANS MAIN-  
5 TAINED BY GOVERNMENTS AND TAX EXEMPT ORGA-  
6 NIZATIONS.—Subparagraph (F) of section 415(b)(2)  
7 is amended to read as follows:

8 “(F) MULTIEmployer PLANS AND PLANS  
9 MAINTAINED BY GOVERNMENTS AND TAX EX-  
10 EMPT ORGANIZATIONS.—

11 “(i) IN GENERAL.—In the case of a  
12 governmental plan (within the meaning of  
13 section 414(d)), a plan maintained by an  
14 organization (other than a governmental  
15 unit) exempt from tax under this subtitle,  
16 a multiemployer plan (as defined in section  
17 414(f)), or a qualified merchant marine  
18 plan, subparagraph (C) shall be applied as  
19 if the last sentence thereof read as follows:  
20 ‘The reduction under this subparagraph  
21 shall not reduce the limitation of para-  
22 graph (1)(A) below (i) \$130,000 if the  
23 benefit begins at or after age 55, or (ii) if  
24 the benefit begins before age 55, the equiv-

1           alent of the \$130,000 limitation for age  
2           55.’

3           “(ii) DEFINITIONS.—For purposes of  
4           this subparagraph—

5                   “(I) QUALIFIED MERCHANT MA-  
6                   RINE PLAN.—The term ‘qualified mer-  
7                   chant marine plan’ means a plan in  
8                   existence on January 1, 1986, the  
9                   participants in which are merchant  
10                  marine officers holding licenses issued  
11                  by the Secretary of Transportation  
12                  under title 46, United States Code.

13                  “(II) EXEMPT ORGANIZATION  
14                  PLAN COVERING 50 PERCENT OF ITS  
15                  EMPLOYEES.—A plan shall be treated  
16                  as a plan maintained by an organiza-  
17                  tion (other than a governmental unit)  
18                  exempt from tax under this subtitle if  
19                  at least 50 percent of the employees  
20                  benefiting under the plan are employ-  
21                  ees of an organization (other than a  
22                  governmental unit) exempt from tax  
23                  under this subtitle. If less than 50  
24                  percent of the employees benefiting  
25                  under a plan are employees of an or-

1 organization (other than a governmental  
2 unit) exempt from tax under this sub-  
3 title, the plan shall be treated as a  
4 plan maintained by an organization  
5 (other than a governmental unit) ex-  
6 empt from tax under this subtitle only  
7 with respect to employees of such an  
8 organization.”.

9 (5) COST-OF-LIVING ADJUSTMENTS.—Sub-  
10 section (d) of section 415 (related to cost-of-living  
11 adjustments) is amended—

12 (A) in paragraph (1)(A) by striking  
13 “\$90,000” and inserting “\$180,000”, and

14 (B) in paragraph (3)(A)—

15 (i) by striking “\$90,000” in the head-  
16 ing and inserting “\$180,000”, and

17 (ii) by striking “October 1, 1986” and  
18 inserting “July 1, 1999”.

19 (b) DEFINED CONTRIBUTION PLANS.—

20 (1) DOLLAR LIMIT.—Subparagraph (A) of sec-  
21 tion 415(c)(1) (relating to limitation for defined con-  
22 tribution plans) is amended by striking “\$30,000”  
23 and inserting “\$45,000”.

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

4           (A) in paragraph (1)(C) by striking  
5 “\$30,000” and inserting “\$45,000”, and

6           (B) in paragraph (3)(D)—

7           (i) by striking “\$30,000” in the head-  
8 ing and inserting “\$45,000”, and

9           (ii) by striking “October 1, 1993” and  
10 inserting “July 1, 1999”.

11 (c) QUALIFIED TRUSTS.—

12           (1) COMPENSATION LIMIT.—Sections  
13 401(a)(17), 404(l), 408(k), and 505(b)(7) are each  
14 amended by striking “\$150,000” each place it ap-  
15 pears and inserting “\$235,000”.

16           (2) BASE PERIOD AND ROUNDING OF COST-OF-  
17 LIVING ADJUSTMENT.—Subparagraph (B) of section  
18 401(a)(17) is amended—

19           (A) by striking “October 1, 1993” and in-  
20 serting “July 1, 1999”, and

21           (B) by striking “\$10,000” both places it  
22 appears and inserting “\$5,000”.

23 (d) ELECTIVE DEFERRALS.—

24           (1) IN GENERAL.—Paragraphs (1) and (5) of  
25 section 402(g) (relating to limitation on exclusion



1 for elective deferrals) are each amended by striking  
2 “\$7,000” and inserting “\$15,000”.

3 (2) CONFORMING AMENDMENTS.—

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

10 (B) Clause (iii) of section 501(c)(18)(D) is  
11 amended by striking “(other than paragraph  
12 (4) thereof)”.

13 (e) DEFERRED COMPENSATION PLANS OF STATE  
14 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-  
15 ZATIONS.—Section 457 (relating to deferred compensation  
16 plans of State and local governments and tax-exempt orga-  
17 nizations) is amended—

18 (1) in subsections (b)(2)(A), (c)(1), and (e)(15)  
19 by striking “\$7,500” each place it appears and in-  
20 serting “\$15,000”,

21 (2) in subsection (b)(3)(A) by striking  
22 “\$15,000” and inserting “\$30,000”, and

23 (3) in subsection (e)(15)—

1 (A) by inserting “and the \$30,000 amount  
2 specified in subsection (b)(3)(A)” after  
3 “(c)(1)”, and

4 (B) by striking “September 30, 1994” and  
5 inserting “September 30, 1999”.

6 (f) SIMPLE RETIREMENT ACCOUNTS.—

7 (1) LIMITATION.—Sections 408(p)(2)(A)(ii),  
8 408(p)(2)(E), 401(k)(11)(B)(i)(I), and  
9 401(k)(11)(E) are each amended by striking  
10 “\$6,000” and inserting “\$10,000”.

11 (2) BASE PERIOD FOR COST-OF-LIVING ADJUST-  
12 MENT.—Subparagraph (E) of section 408(p)(2) is  
13 amended by striking “September 30, 1996” and in-  
14 serting “September 30, 1999”.

15 (g) COST-OF-LIVING ADJUSTMENTS.—

16 (1) PLANS MAINTAINED BY GOVERNMENTS AND  
17 TAX EXEMPT ORGANIZATIONS.—Paragraph (1) of  
18 section 415(d) (as amended by subsection (b)) is  
19 amended by striking “and” at the end of subpara-  
20 graph (B), by redesignating subparagraph (C) as  
21 subparagraph (D), and by inserting after subpara-  
22 graph (B) the following new subparagraph:

23 “(C) the \$130,000 amount in subsection  
24 (b)(2)(F), and”.

1           (2) BASE PERIOD.—Paragraph (3) of section  
2           415(d) (as amended by subsection (b)) is further  
3           amended by redesignating subparagraph (D) as sub-  
4           paragraph (E) and by inserting after subparagraph  
5           (C) the following new subparagraph:

6                   “(D) \$130,000 AMOUNT.—The base period  
7                   taken into account for purposes of paragraph  
8                   (1)(C) is the calendar quarter beginning July 1,  
9                   1999.”.

10           (3) ROUNDING RULE RELATING TO DEFINED  
11           BENEFIT PLANS AND DEFINED CONTRIBUTION  
12           PLANS.—Paragraph (4) of section 415(d) is amend-  
13           ed to read as follows:

14                   “(4) ROUNDING.—

15                   “(A) \$180,000 AMOUNT.—Any increase  
16                   under subparagraph (A) of paragraph (1) which  
17                   is not a multiple of \$5,000 shall be rounded to  
18                   the next lowest multiple of \$5,000.

19                   “(B) \$130,000 AND \$45,000 AMOUNTS.—  
20                   Any increase under subparagraph (C) or (D) of  
21                   paragraph (1) which is not a multiple of \$1,000  
22                   shall be rounded to the next lowest multiple of  
23                   \$1,000.”.

24           (4) CONFORMING AMENDMENT.—Subparagraph  
25           (D) of section 415(d)(3) (as amended by paragraph

1 (2)) is amended by striking “paragraph (1)(C)” and  
2 inserting “paragraph (1)(D)”.

3 (h) INCREASE IN AMOUNT OF DEDUCTIBLE IRA  
4 CONTRIBUTIONS.—

5 (1) INCREASE IN MAXIMUM AMOUNT OF DEDUC-  
6 TION.—Subparagraph (A) of section 219(b)(1) (re-  
7 lating to maximum amount of deduction) is amended  
8 by striking “\$2,000” and inserting “\$5,000”.

9 (2) CONFORMING AMENDMENTS.—

10 (A) Subsections (a)(1), (b)(2), (j), and  
11 (p)(8) of section 408 are each amended by  
12 striking “\$2,000” each place it appears and in-  
13 sserting “\$5,000”.

14 (B) Clause (i) of section 408(o)(2)(B) is  
15 amended by inserting “the lesser of \$2,000, or”  
16 after “means”.

17 (C) Paragraph (2) of section 408A(e) is  
18 amended by inserting “the lesser of \$2,000, or”  
19 after “shall not exceed”.

20 (D) Subparagraph (B) of section  
21 4973(b)(1) is amended by inserting “(or in the  
22 case of a nondeductible individual retirement  
23 plan, the amount allowable as a contribution  
24 under section 408(o))” after “contributions,”.

25 (i) EFFECTIVE DATE.—

1           (1) IN GENERAL.—The amendments made by  
2 this section shall apply to years beginning after De-  
3 cember 31, 1999.

4           (2) COLLECTIVE BARGAINING AGREEMENTS.—  
5 In the case of a plan maintained pursuant to 1 or  
6 more collective bargaining agreements between em-  
7 ployee representatives and 1 or more employers rati-  
8 fied by the date of enactment of this Act, the  
9 amendments made by this section shall not apply to  
10 contributions or benefits pursuant to any such  
11 agreement for years beginning before the earlier  
12 of—

13                   (A) the later of—

14                           (i) the date on which the last of such  
15 collective bargaining agreements termi-  
16 nates (determined without regard to any  
17 extension thereof on or after such date of  
18 enactment), or

19                           (ii) January 1, 2000, or

20                   (B) January 1, 2004.

21 **SEC. 102. PLAN LOANS FOR SUBCHAPTER S OWNERS, PART-**  
22 **NERS, AND SOLE PROPRIETORS.**

23           (a) AMENDMENT TO 1986 CODE.—Subsection (f) of  
24 section 4975 (relating to other definitions and special  
25 rules) is amended by striking paragraph (6).

1 (b) AMENDMENTS TO ERISA.—

2 (1) Section 408 of the Employee Retirement In-  
3 come Security Act of 1974 (29 U.S.C. 1108) is  
4 amended—

5 (A) by striking subsection (d); and

6 (B) by redesignating subsections (e) and  
7 (f) as subsections (d) and (e), respectively.

8 (2) Section 407(b)(3)(B) of such Act (29  
9 U.S.C. 1107(b)(3)(B)) is amended by striking “sec-  
10 tion 408(e)” and inserting “section 408(d)”.

11 (c) EFFECTIVE DATE.—The amendments made by  
12 this section shall take effect on the date of enactment of  
13 this Act.

14 **SEC. 103. SALARY REDUCTION ONLY SIMPLE PLANS.**

15 (a) SIMPLE RETIREMENT ACCOUNTS.—

16 (1) IN GENERAL.—Paragraph (2) of section  
17 408(p) (as amended by section 101(f)) is further  
18 amended—

19 (A) by redesignating subparagraphs (C),  
20 (D), and (E) as subparagraphs (D), (E), and  
21 (F), respectively; and

22 (B) by inserting after subparagraph (B)  
23 the following:

24 “(C) EMPLOYER MAY ELECT SALARY RE-  
25 Duction ONLY ARRANGEMENT.—

1           “(i) IN GENERAL.—An employer shall  
2           be treated as meeting the requirements of  
3           subparagraph (A)(iii) for any year if, in  
4           lieu of the contributions described in such  
5           subparagraph, the employer elects to limit  
6           the amount which an employee may elect  
7           under subparagraph (A)(i) to a total of  
8           \$5,000 for the year. If an employer makes  
9           an election under this subparagraph for  
10          any year, the employer shall notify employ-  
11          ees of such election within a reasonable pe-  
12          riod of time before the 60-day period for  
13          such year under paragraph (5)(C).

14          “(ii) EXCEPTION.—This subpara-  
15          graph shall not apply to an employer if  
16          such employer (or any predecessor em-  
17          ployer) maintained another qualified plan  
18          (as defined in subparagraph (D)(ii)) with  
19          respect to which contributions were made,  
20          or benefits were accrued, for service during  
21          the year in which the arrangement de-  
22          scribed in clause (i) became effective or ei-  
23          ther of the 2 preceding years. If only indi-  
24          viduals other than employees described in  
25          subparagraph (A) of section 410(b)(3) are

1 eligible to participate in the arrangement  
2 described in clause (i), then the preceding  
3 sentence shall be applied without regard to  
4 any qualified plan in which only employees  
5 so described are eligible to participate.”.

6 (2) SPECIAL RULE FOR ACQUISITIONS, DISPOSI-  
7 TIONS, AND SIMILAR TRANSACTIONS.—Subpara-  
8 graph (B) of section 408(p)(10) is amended by  
9 striking “and” at the end of clause (ii), by striking  
10 the period at the end of clause (iii) and inserting  
11 “; and”, and by inserting after clause (iii) the fol-  
12 lowing:

13 “(iv) the requirement under para-  
14 graph (2)(C) that the employer not have  
15 maintained another qualified plan de-  
16 scribed therein.”.

17 (3) COST-OF-LIVING ADJUSTMENT.—Subpara-  
18 graph (F) of section 408(p)(2) (as so redesignated)  
19 is amended by inserting “and the \$5,000 amount  
20 under subparagraph (C)” after “subparagraph  
21 (A)(ii)”.

22 (4) COORDINATION WITH MAXIMUM LIMITA-  
23 TION.—Paragraph (8) of section 408(p) (relating to  
24 coordination with maximum limitation under sub-  
25 section (a)) is amended by striking “paragraph



1 (2)(A)(ii) of this subsection” and inserting “sub-  
2 paragraph (A)(ii) or (C) of paragraph (2) of this  
3 subsection, whichever is applicable,”.

4 (5) CONFORMING AMENDMENT.—Clause (ii) of  
5 section 408(p)(10)(B) is amended by striking “para-  
6 graph (2)(D)” and inserting “paragraph (2)(E)”.

7 (b) ADOPTION OF SIMPLE PLAN TO MEET NON-  
8 DISCRIMINATION TESTS.—

9 (1) SIMPLE PLAN.—Subparagraph (B) of sec-  
10 tion 401(k)(11) is amended by redesignating clause  
11 (iii) as clause (iv) and by inserting after clause (ii)  
12 the following new clause:

13 “(iii) EMPLOYER MAY ELECT SALARY  
14 REDUCTION ONLY ARRANGEMENT.—

15 “(I) IN GENERAL.—An employer  
16 shall be treated as meeting the re-  
17 quirements of clause (i)(II) for any  
18 year if, in lieu of the contributions de-  
19 scribed in such clause, the employer  
20 elects to limit the amount which an  
21 employee may elect under clause (i) to  
22 a total of \$5,000 for the year. If an  
23 employer makes an election under this  
24 clause for any year, the employer shall  
25 notify employees of such election with-

1 in a reasonable period of time before  
2 the 60-day period for such year under  
3 clause (iv)(II).

4 “(II) EXCEPTION.—This clause  
5 shall not apply to an employer if such  
6 employer (or any predecessor em-  
7 ployer) maintained another qualified  
8 plan (as defined in section  
9 408(p)(2)(D)(ii)) with respect to  
10 which contributions were made, or  
11 benefits were accrued, for service dur-  
12 ing the year in which the arrangement  
13 described in subclause (I) became ef-  
14 fective or either of the 2 preceding  
15 years. This subclause shall not apply  
16 if such contributions or benefits were  
17 solely on behalf of employees who are  
18 not eligible to participate in the ar-  
19 rangement described in subclause  
20 (I).”.

21 (2) COST-OF-LIVING ADJUSTMENT.—Subpara-  
22 graph (E) of section 401(k)(11) is amended by in-  
23 serting “and the \$5,000 amount under subpara-  
24 graph (B)(iii)” after “subparagraph (B)(i)(I)”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to years beginning after December  
3 31, 1999.

4 **SEC. 104. MODIFICATION OF TOP-HEAVY RULES.**

5 (a) REPEAL OF FAMILY AGGREGATION RULES.—  
6 Section 416(i)(1)(B)(i)(I) (defining 5-percent owner) is  
7 amended by inserting “(without regard to subsection  
8 (a)(1) thereof)” after “section 318”.

9 (b) SIMPLIFICATION OF DEFINITION OF KEY EM-  
10 PLOYEE.—

11 (1) IN GENERAL.—Section 416(i)(1)(A) (defin-  
12 ing key employee) is amended—

13 (A) by striking “or any of the 4 preceding  
14 plan years” in the matter preceding clause (i),

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

17 “(i) an officer of the employer who  
18 has compensation from the employer of  
19 more than \$150,000,”

20 (C) by striking clause (ii) and redesignat-  
21 ing clauses (iii) and (iv) as clauses (ii) and (iii),  
22 respectively, and

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

1           (2) CONFORMING AMENDMENT.—Section  
2           416(i)(1)(B)(iii) is amended by striking “and sub-  
3           paragraph (A)(ii)”.

4           (c) EMPLOYEE ELECTIVE CONTRIBUTIONS TO PLAN  
5 NOT TAKEN INTO ACCOUNT.—

6           (1) DEFINITION OF TOP-HEAVY PLAN.—Section  
7           416(g)(4) (relating to other special rules) is amend-  
8           ed by adding at the end the following:

9                   “(H) EMPLOYEE ELECTIVE CONTRIBU-  
10                   TIONS TO PLAN NOT TAKEN INTO ACCOUNT.—  
11                   At the election of the employer, any employee  
12                   elective contribution described in section  
13                   415(c)(3)(D) to a plan (and earnings allocable  
14                   thereto) shall not be taken into account for pur-  
15                   poses of determining whether a plan is a top-  
16                   heavy plan (or whether any aggregation group  
17                   which includes such plan is a top-heavy  
18                   group).”.

19           (2) DEFINITION OF COMPENSATION.—Section  
20           416(i)(1)(D) (defining compensation) is amended to  
21           read as follows:

22                   “(D) COMPENSATION.—

23                           “(i) IN GENERAL.—For purposes of  
24                           this paragraph, except as provided in  
25                           clause (ii), the term ‘compensation’ has the

1 meaning given such term by section  
2 414(q)(4).

3 “(ii) EMPLOYEE ELECTIVE CONTRIBU-  
4 TIONS TO PLAN NOT TAKEN INTO AC-  
5 COUNT.—At the election of the employer,  
6 any employee elective contribution de-  
7 scribed in section 415(c)(3)(D) to a plan  
8 shall not be taken into account for pur-  
9 poses of determining compensation.”.

10 (d) MATCHING CONTRIBUTIONS TAKEN INTO AC-  
11 COUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—  
12 Section 416(c)(2)(A) (relating to defined contribution  
13 plans) is amended by adding at the end the following:  
14 “Employer matching contributions (as defined in section  
15 401(m)(4)(A)) shall be taken into account for purposes  
16 of this subparagraph.”.

17 (e) REQUIREMENTS FOR QUALIFICATIONS.—Clause  
18 (ii) of section 401(a)(10)(B) (relating to requirements for  
19 qualifications for top-heavy plans) is amended by adding  
20 at the end the following new flush sentence:

21 “The preceding sentence shall not apply to  
22 a plan if the plan is not top-heavy and if  
23 it is not reasonable to expect that the plan  
24 will become top-heavy.”.

1 (f) DISTRIBUTIONS DURING LAST YEAR BEFORE  
2 DETERMINATION DATE TAKEN INTO ACCOUNT.—Section  
3 416(g) is amended—

4 (1) in paragraph (3)—

5 (A) by striking “LAST 5 YEARS” in the  
6 heading and inserting “LAST YEAR BEFORE DE-  
7 TERMINATION DATE”, and

8 (B) in the matter following subparagraph  
9 (B), by striking “5-year period” and inserting  
10 “1-year period”, and

11 (2) in paragraph (4)(E)—

12 (A) by striking “LAST 5 YEARS” in the  
13 heading and inserting “LAST YEAR BEFORE DE-  
14 TERMINATION DATE”, and

15 (B) by striking “5-year period” and insert-  
16 ing “1-year period”.

17 (g) DEFINITION OF TOP-HEAVY PLANS.—

18 (1) EXCLUSION OF CERTAIN PLANS FROM DEFINI-  
19 TION OF TOP-HEAVY PLAN.—Paragraph (4) of sec-  
20 tion 416(d) (relating to other special rules for top-  
21 heavy plans) is amended by adding at the end the  
22 following new subparagraphs:

23 “(H) CASH OR DEFERRED ARRANGEMENTS  
24 USING ALTERNATIVE METHODS OF MEETING  
25 NONDISCRIMINATION REQUIREMENTS.—The

1 term ‘top-heavy plan’ shall not include a cash  
2 or deferred arrangement to the extent that such  
3 arrangement meets the requirements of section  
4 401(k)(12). This subparagraph shall also apply  
5 to contributions that are not required to satisfy  
6 the requirements of section 401(k)(12) but are  
7 consistent with the purposes of such section, as  
8 permitted under regulations which the Sec-  
9 retary shall prescribe. Nothing in this subpara-  
10 graph shall preclude an employer from taking  
11 into account contributions made under the cash  
12 or deferred arrangement when determining  
13 whether any plan of such employer satisfies the  
14 requirements of this section.

15 “(I) DEFINED CONTRIBUTION PLANS  
16 USING ALTERNATIVE METHODS OF MEETING  
17 NONDISCRIMINATION REQUIREMENTS.—The  
18 term ‘top-heavy plan’ shall not include a de-  
19 fined contribution plan to the extent that such  
20 plan meets the requirements of section  
21 401(m)(11). This subparagraph shall also apply  
22 to contributions that are not required to satisfy  
23 the requirements of section 401(m)(11) but are  
24 consistent with the purposes of such section, as  
25 permitted under regulations which the Sec-

1           retary shall prescribe. Nothing in this subpara-  
2           graph shall preclude an employer from taking  
3           into account contributions made under the de-  
4           fined contribution plan when determining  
5           whether any plan of such employer satisfies the  
6           requirements of this section.”.

7           (2) AGGREGATION GROUP NOT REQUIRED TO  
8           INCLUDE CERTAIN PLANS.—Clause (i) of section  
9           416(g)(2)(A) of such Code (relating to required ag-  
10          gregation) is amended by adding at the end the fol-  
11          lowing new flush sentence:

12                       “Such term shall not include a plan or ar-  
13                       rangement described in subparagraph (H)  
14                       or (I) of paragraph (4).”.

15          (h) ELECTIVE DEFERRALS NOT TAKEN INTO AC-  
16          COUNT.—Clause (i) of section 416(c)(2)(B) (relating to  
17          special rule where maximum contribution less than 3 per-  
18          cent) is amended by inserting “(other than elective defer-  
19          rals (as defined in section 402(g)(3))” after “contribu-  
20          tions”.

21          (i) FROZEN PLAN EXEMPT FROM MINIMUM BENE-  
22          FIT REQUIREMENT.—Subparagraph (C) of section  
23          416(c)(1) (relating to defined benefit plans) is amended—

24                       (1) in clause (i) by striking “clause (ii)” and in-  
25                       serting “clause (ii) or (iii)”, and



1 (2) by adding at the end the following:

2 “(iii) For purposes of determining an  
3 employee’s years of service with the em-  
4 ployer, any service with the employer shall  
5 be disregarded to the extent that such  
6 service occurs during a plan year when no  
7 employee or former employee benefits  
8 under the plan within the meaning of sec-  
9 tion 410(b).”.

10 (j) ALTERNATIVE 60 PERCENT.—Subsection (g) of  
11 section 416 (relating to top heavy plan defined) is amend-  
12 ed by adding at the end the following:

13 “(5) ALTERNATIVE 60 PERCENT TEST.—

14 “(A) IN GENERAL.—For any plan year, an  
15 employer may elect for this paragraph to apply  
16 to all plans maintained by such employer. If  
17 this paragraph applies to a plan, the term ‘top-  
18 heavy plan’ shall have the meaning set forth in  
19 subparagraph (B) and the term ‘top-heavy  
20 group’ shall have the meaning set forth in sub-  
21 paragraph (C).

22 “(B) TOP-HEAVY PLAN DEFINED.—In the  
23 case of any plan to which this paragraph ap-  
24 plies, the term ‘top-heavy plan’ means, with re-  
25 spect to any plan year—

1           “(i) any defined benefit plan if, for  
2           the plan year ending on the determination  
3           date, the present value of the accruals for  
4           key employees exceeds 60 percent of the  
5           present value of the accruals for all em-  
6           ployees, and

7           “(ii) any defined contribution plan if,  
8           for the plan year ending on the determina-  
9           tion date, the annual additions for key em-  
10          ployees exceed 60 percent of the annual  
11          additions for all employees.

12          “(C) TOP-HEAVY GROUP.—In the case of  
13          any plan to which this paragraph applies, the  
14          term ‘top-heavy group’ means any aggregation  
15          group if—

16               “(i) the sum, for the plan year ending  
17               on the determination date, of—

18                       “(I) the present value of the ac-  
19                       cruals for key employees under all de-  
20                       fined benefit plans included in such  
21                       group, and

22                       “(II) the aggregate of the annual  
23                       additions of key employees under all  
24                       defined contribution plans included in  
25                       such group,

1                   “(ii) exceeds 60 percent of a similar  
2                   sum determined for all employees.

3                   “(D) ANNUAL ADDITION.—For purposes of  
4                   this paragraph, the term ‘annual addition’ shall  
5                   have the same meaning as when used in section  
6                   415(c)(2) (without regard to section 415(l) or  
7                   section 419A(d)(2)).

8                   “(E) CERTAIN RULES NOT TO APPLY.—  
9                   Paragraphs (3) and (4) (other than subpara-  
10                  graphs (B), (C), (D), (E), and (G) of para-  
11                  graph (4)) shall not apply for purposes of this  
12                  paragraph.”.

13                  (k) CONFORMING AMENDMENTS.—

14                  (1) Subparagraph (A) of section 416(g)(1) is  
15                  amended by striking “subparagraph (B)” and insert-  
16                  ing “subparagraph (B) and paragraph (5)”.

17                  (2) Subparagraph (B) of section 416(g)(2) is  
18                  amended by striking “The term” and inserting “Ex-  
19                  cept as provided in paragraph (5), the term”.

20                  (3) Subparagraph (A) of section 415(b)(5) is  
21                  amended by adding at the end the following: “An  
22                  employee shall not be credited with a year of partici-  
23                  pation in a defined benefit plan for any year in  
24                  which such employee does not benefit under the plan  
25                  within the meaning of section 410(b).”.

1 (l) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to years beginning after December  
3 31, 1999.

4 **SEC. 105. ELECTIVE DEFERRALS NOT TAKEN INTO AC-**  
5 **COUNT FOR PURPOSES OF LIMITS.**

6 (a) IN GENERAL.—Section 404 is amended by adding  
7 at the end the following new subsection:

8 “(n) ELECTIVE DEFERRALS NOT TAKEN INTO AC-  
9 COUNT FOR PURPOSES OF LIMITS.—Elective deferrals (as  
10 defined in section 402(g)(3)) shall not be subject to any  
11 limitations described in this section (other than subsection  
12 (a)), and such elective deferrals shall not be taken into  
13 account in applying such limitations to any other contribu-  
14 tions.”.

15 (b) CONFORMING AMENDMENTS.—Paragraph (3) of  
16 section 4972(c) is amended to read as follows:

17 “(3) CONTRIBUTIONS NOT TAKEN INTO AC-  
18 COUNT.—In determining the amount of nondeduct-  
19 ible contributions for any taxable year, there shall  
20 not be taken into account—

21 “(A) any elective deferral (as defined in  
22 section 402(g)(3)), or

23 “(B) any contribution for such taxable  
24 year which is distributed to the employer in a  
25 distribution described in section

1           4980(c)(2)(B)(ii) if such distribution is made  
2           on or before the last day on which a contribu-  
3           tion may be made for such taxable year under  
4           section 404(a)(6).”.

5           (c) EFFECTIVE DATE.—The amendment made by  
6 this section shall apply to years beginning after December  
7 31, 1999.

8 **SEC. 106. REDUCED PBGC PREMIUM FOR NEW PLANS OF**  
9 **SMALL EMPLOYERS.**

10          (a) IN GENERAL.—Subparagraph (A) of section  
11 4006(a)(3) of the Employee Retirement Income Security  
12 Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

13           (1) by inserting “other than a new single-em-  
14           ployer plan of a small employer (as defined in clause  
15           (iv)),” after “in the case of a single-employer plan,”  
16           in clause (i),

17           (2) by striking the period at the end of clause  
18           (iii) and inserting “; and”, and

19           (3) by inserting after clause (iii) the following  
20           new clause:

21           “(iv) in the case of a new single-employer plan  
22           of a small employer, \$5 for each individual who is  
23           a participant in such plan during the plan year. For  
24           purposes of this clause (iv):

1           “(I) The term ‘new single-employer plan’  
2 means a single-employer plan during its first  
3 five plan years; provided, however, that a sin-  
4 gle-employer plan is not a new single-employer  
5 plan if any contributing sponsor or any member  
6 of its controlled group (including any prede-  
7 cessor of a contributing sponsor or member of  
8 such predecessor’s controlled group) had estab-  
9 lished or maintained a plan to which this title  
10 applied that included substantially the same  
11 employees as such new plan, at any time within  
12 the 36-month period preceding the adoption of  
13 such new plan.

14           “(II) The term ‘small employer’ means a  
15 contributing sponsor that on the first day of the  
16 plan year has, in combination with all members  
17 of its controlled group, 100 or fewer employees.

18           “(III) In the case of a plan maintained by  
19 two or more contributing sponsors that are not  
20 part of the same controlled group, the employ-  
21 ees of all contributing sponsors and their con-  
22 trolled groups shall be aggregated for purposes  
23 of determining whether the plan shall be consid-  
24 ered to be a plan of a small employer.”.

1 (b) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to plan years beginning after De-  
3 cember 31, 1999.

4 **SEC. 107. PHASE-IN OF ADDITIONAL PREMIUM FOR NEW**  
5 **PLANS.**

6 (a) IN GENERAL.—Subparagraph (E) of section  
7 4006(a)(3) of the Employee Retirement Income Security  
8 Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended—

9 (1) by inserting “(or, in the case of a new sin-  
10 gle-employer plan described in clause (vi), the  
11 amount determined under clause (v))” after “deter-  
12 mined under clause (ii)” in clause (i), and

13 (2) by inserting after clause (iv) the following  
14 new clauses:

15 “(v) The amount determined under this clause for  
16 any plan year of a new single-employer plan (as described  
17 in clause (vi)) shall be an amount equal to the product  
18 derived by multiplying the amount determined under  
19 clause (ii) by the applicable percentage. For purposes of  
20 this clause (v), the term ‘applicable percentage’ means—

21 “(I) 0 percent, for the first plan year,

22 “(II) 20 percent, for the second plan year,

23 “(III) 40 percent, for the third plan year,

24 “(IV) 60 percent, for the fourth plan year, and

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

1           “(vi) For purposes of clause (v), the term ‘new single-  
2 employer plan’ means a single-employer plan during its  
3 first five plan years; provided, however, that a single-em-  
4 ployer plan is not a new single-employer plan if any con-  
5 tributing sponsor or any member of its controlled group  
6 (including any predecessor of a contributing sponsor or  
7 member of such predecessor’s controlled group) had estab-  
8 lished or maintained a plan to which this title applied that  
9 included substantially the same employees as such new  
10 plan, at any time within the 36-month period preceding  
11 the adoption of such new plan.”.

12           (b) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to plan years beginning after De-  
14 cember 31, 1999.

15 **SEC. 108. REPEAL OF COORDINATION REQUIREMENTS FOR**  
16 **DEFERRED COMPENSATION PLANS OF STATE**  
17 **AND LOCAL GOVERNMENTS AND TAX-EX-**  
18 **EMPT ORGANIZATIONS.**

19           (a) IN GENERAL.—Subsection (c) of section 457 (re-  
20 lating to deferred compensation plans of State and local  
21 governments and tax-exempt organizations) is amended to  
22 read as follows:

23           “(c) LIMITATION.—The maximum amount of the  
24 compensation of any one individual which may be deferred  
25 under subsection (a) during any taxable year shall not ex-



1 ceed \$15,000 (as modified by any adjustment provided  
2 under subsection (b)(3)).”.

3 (b) EFFECTIVE DATE.—The amendment made by  
4 subsection (a) shall apply to years beginning after Decem-  
5 ber 31, 1999.

6 **SEC. 109. ELIMINATION OF USER FEE FOR REQUESTS TO**  
7 **IRS REGARDING PENSION PLANS.**

8 (a) ELIMINATION OF CERTAIN USER FEES.—The  
9 Secretary of the Treasury or the Secretary’s delegate shall  
10 not require payment of user fees under the program estab-  
11 lished under section 10511 of the Revenue Act of 1987  
12 for requests to the Internal Revenue Service for ruling let-  
13 ters, opinion letters, and determination letters or similar  
14 requests with respect to the qualified status of a pension  
15 benefit plan maintained solely by one or more eligible em-  
16 ployers or any trust which is part of the plan.

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

21 (c) ELIGIBLE EMPLOYER.—For purposes of this sec-  
22 tion, the term “eligible employer” has the same meaning  
23 given such term in section 408(p)(2)(C)(i)(I) of the Inter-  
24 nal Revenue Code of 1986. The determination of whether  
25 an employer is an eligible employer under this section shall

1 be made as of the date of the request described in sub-  
2 section (a).

3 (d) EFFECTIVE DATE.—The provisions of this sec-  
4 tion shall apply with respect to requests made after De-  
5 cember 31, 1999.

6 **SEC. 110. ALTERNATIVE METHOD OF MEETING NON-**  
7 **DISCRIMINATION REQUIREMENTS FOR AUTO-**  
8 **MATIC CONTRIBUTION TRUST.**

9 (a) IN GENERAL.—Section 401(k) (relating to cash  
10 or deferred arrangement) is amended by adding at the end  
11 the following new paragraph:

12 “(13) NONDISCRIMINATION REQUIREMENTS  
13 FOR AUTOMATIC CONTRIBUTION TRUSTS.—

14 “(A) IN GENERAL.—A cash or deferred ar-  
15 rangement shall be treated as meeting the re-  
16 quirements of paragraph (3)(A)(ii) if such ar-  
17 rangement constitutes an automatic contribu-  
18 tion trust.

19 “(B) AUTOMATIC CONTRIBUTION TRUST.—  
20 For purposes of this paragraph, the term ‘auto-  
21 matic contribution trust’ means an  
22 arrangement—

23 “(i) under which each employee eligi-  
24 ble to participate in the arrangement is  
25 treated as having elected to have the em-

1           ployer make elective contributions in an  
2           amount equal to the uniform percentage  
3           (not less than 3 percent) of compensation  
4           provided under the arrangement until the  
5           employee specifically elects not to have  
6           such contributions made, and

7                   “(ii) which meets the other require-  
8                   ments of this paragraph.

9           Clause (i) of this subparagraph shall not apply  
10          to any employee who was eligible to participate  
11          in the arrangement (or a predecessor arrange-  
12          ment) immediately before the first date on  
13          which the arrangement is an automatic con-  
14          tribution trust. The election treated as having  
15          been made under clause (i) shall cease to apply  
16          to compensation paid after the specific election  
17          by the employee.

18                   “(C) PARTICIPATION.—

19                   “(i) Except as provided in clause (ii),  
20                   an arrangement meets the requirements of  
21                   this subparagraph for any year if, during  
22                   the plan year or the preceding plan year,  
23                   elective contributions are made on behalf  
24                   of at least 70 percent of employees other

1 than highly compensated employees eligible  
2 to participate in the arrangement.

3 “(ii) An arrangement (other than a  
4 successor arrangement) shall be treated as  
5 meeting the requirements of this subpara-  
6 graph with respect to the first plan year in  
7 which the arrangement is effective.

8 “(D) MATCHING OR NONELECTIVE CON-  
9 TRIBUTIONS.—The requirements of this sub-  
10 paragraph are met if, under the arrangement,  
11 the employer—

12 “(i) makes matching contributions on  
13 behalf of each employee who is not a highly  
14 compensated employee in an amount equal  
15 to 50 percent of the elective contributions  
16 of the employee to the extent such elective  
17 contributions do not exceed 5 percent of  
18 compensation, or

19 “(ii) is required, without regard to  
20 whether the employee makes an elective  
21 contribution or employee contribution, to  
22 make a contribution to a defined contribu-  
23 tion plan on behalf of each employee who  
24 is not a highly compensated employee and  
25 who is eligible to participate in the ar-

1           rangement in an amount equal to at least  
2           2 percent of the employee’s compensation.  
3           The rules of clauses (ii), (iii), and (iv) of para-  
4           graph (12)(B) shall apply for purposes of clause  
5           (i).

6           “(E) VESTING.—The requirements of this  
7           subparagraph are met if the requirements of  
8           subparagraph (C) of paragraph (2) are met  
9           with respect to all employer contributions (in-  
10          cluding matching contributions) taken into ac-  
11          count in determining whether the requirements  
12          of subparagraph (B) or (C) are met.

13          “(F) NOTICE REQUIREMENTS.—

14                 “(i) IN GENERAL.—The requirements  
15                 of this subparagraph are met if the re-  
16                 quirements of clauses (ii) and (iii) are met.

17                 “(ii) REASONABLE PERIOD TO MAKE  
18                 ELECTION.—The requirements of this  
19                 clause are met if each employee to whom  
20                 subparagraph (B)(i) applies—

21                         “(I) receives a notice explaining  
22                         the employee’s right under the ar-  
23                         rangement to elect not to have elective  
24                         contributions made on the employee’s  
25                         behalf, and

1                   “(II) has a reasonable period of  
2                   time after receipt of such notice and  
3                   before the first elective contribution is  
4                   made to make such election.

5                   “(iii) ANNUAL NOTICE OF RIGHTS  
6                   AND OBLIGATIONS.—The requirements of  
7                   this clause are met if each employee eligi-  
8                   ble to participate in the arrangement is,  
9                   within a reasonable period before any year,  
10                  given notice of the employee’s rights and  
11                  obligations under the arrangement.

12                  The requirements of clauses (i) and (ii) of para-  
13                  graph (12)(D) shall be met with respect to the  
14                  notices described in clauses (ii) and (iii) of this  
15                  subparagraph.”.

16                  (b) MATCHING CONTRIBUTIONS.—Section 401(m)  
17                  (relating to nondiscrimination test for matching contribu-  
18                  tions and employee contributions) is amended by redesignig-  
19                  nating paragraph (12) as paragraph (13) and by inserting  
20                  after paragraph (11) the following new paragraph:

21                         “(12) ALTERNATIVE METHOD FOR AUTOMATIC  
22                         CONTRIBUTION TRUSTS.—

23                                 “(A) IN GENERAL.—A defined contribution  
24                                 plan shall be treated as meeting the require-

1           ments of paragraph (2) with respect to match-  
2           ing contributions if the plan—

3                   “(i) meets the contribution require-  
4                   ments of subparagraphs (B)(i) and (D) of  
5                   subsection (k)(13),

6                   “(ii) meets the participation require-  
7                   ments of subsection (k)(13)(C),

8                   “(iii) meets the vesting and notice re-  
9                   quirements of subparagraphs (E) and (F)  
10                  of subsection (k)(13), and

11                  “(iv) meets the requirements of para-  
12                  graph (11)(B).

13                  “(B) MATCHING CONTRIBUTIONS.—An an-  
14                  nuity contract under section 403(b) shall be  
15                  treated as meeting the requirements of para-  
16                  graph (2) with respect to matching contribu-  
17                  tions if such contract meets requirements simi-  
18                  lar to the requirements under subparagraph  
19                  (A).”.

20           (c) EXCLUSION FROM DEFINITION OF TOP-HEAVY  
21 PLANS.—Paragraph (4) of section 416(d) (relating to  
22 other special rules for top-heavy plans), as amended by  
23 section 104(g), is amended by adding at the end the fol-  
24 lowing new subparagraph:

1           “(J) AUTOMATIC CONTRIBUTION TRUST.—  
2           The term ‘top-heavy plan’ shall not include an  
3           automatic contribution trust under section  
4           401(k)(13). Nothing in this subparagraph shall  
5           preclude an employer from taking into account  
6           contributions made under the automatic con-  
7           tribution trust when determining whether any  
8           plan of such employer satisfies the requirements  
9           of this section.”.

10       (d) DEFINITION OF COMPENSATION.—

11           (1) IN GENERAL.—Paragraph (9) of section  
12       401(k) is amended to read as follows:

13           “(9) COMPENSATION.—

14           “(A) IN GENERAL.—Except as provided in  
15           subparagraph (B), for purposes of this section,  
16           the term ‘compensation’ has the meaning given  
17           such term by section 414(s).

18           “(B) USE OF BASE PAY.—For purposes of  
19           paragraph (12)(B), the term ‘compensation’  
20           means the definition of compensation used by  
21           the cash or deferred arrangement if such  
22           compensation—

23                   “(i) meets the requirements of section  
24                   414(s), or

25                   “(ii) constitutes base pay.



1           “(C) BASE PAY.—For purposes of sub-  
2           paragraph (B), the term ‘base pay’ means a  
3           reasonable definition of compensation that does  
4           not by design favor highly compensated employ-  
5           ees and that excludes on a consistent basis all  
6           irregular or additional compensation.”.

7           (2) AUTOMATIC CONTRIBUTION TRUSTS.—Para-  
8           graph (9)(B) of section 401(k) (as amended by  
9           paragraph (1)) is amended by striking “paragraph  
10          (12)(B)” and inserting “paragraphs (12)(B),  
11          (13)(B), and (13)(D)(i)”.

12          (3) MATCHING CONTRIBUTIONS.—Paragraph  
13          (11) of section 401(m) is amended by adding at the  
14          end the following:

15               “(C) DEFINITION OF COMPENSATION.—  
16               For purposes of subparagraph (B), the term  
17               “compensation” has the meaning given such  
18               term by subsection (k)(9)(B).”.

19          (e) APPLICATION BY YEAR OR PAYROLL PERIOD.—

20               (1) CASH OR DEFERRED ARRANGEMENTS.—  
21               Subparagraph (B) of section 401(k)(12) is amended  
22               by adding at the end the following:

23                       “(iv) APPLICATION BY YEAR OR PAY-  
24                       ROLL PERIOD.—The requirements of this

1                   subparagraph may be met for a plan year  
2                   by meeting such requirements either—

3                                 “(I) with respect to the plan year  
4                                 as a whole, or

5                                 “(II) separately with respect to  
6                                 each payroll period (or other payment  
7                                 of compensation) taken into account  
8                                 under the arrangement for the plan  
9                                 year.”.

10                   (2) DEFINED CONTRIBUTION PLANS.—Para-  
11                   graph (11) of section 401(m) (as amended by this  
12                   section) is amended by adding at the end the follow-  
13                   ing:

14                                 “(D) APPLICATION BY YEAR OR PAYROLL  
15                                 PERIOD.—The requirements of subparagraph  
16                                 (B) may be met for a plan year by meeting  
17                                 such requirements either—

18                                 “(i) with respect to the plan year as  
19                                 a whole, or

20                                 “(ii) separately with respect to each  
21                                 payroll period (or other payment of com-  
22                                 pensation) taken into account under the  
23                                 plan for the plan year.”.

1 (f) SECTION 403(b) CONTRACTS.—Paragraph (11) of  
2 section 401(m) (as amended by this section) is amended  
3 by adding at the end the following:

4 “(E) SECTION 403(B) CONTRACTS.—An an-  
5 nuity contract under section 403(b) shall be  
6 treated as meeting the requirements of para-  
7 graph (2) with respect to matching contribu-  
8 tions if such contract meets requirements simi-  
9 lar to the requirements under subparagraph  
10 (A).”.

11 (e) EFFECTIVE DATE.—

12 (1) IN GENERAL.—Except as provided by para-  
13 graph (2), the amendments made by this section  
14 shall apply to plan years beginning after December  
15 31, 1999.

16 (2) EXCEPTION.—The amendments made by  
17 subsections (d)(1), (d)(3), (e), and (f) shall apply to  
18 years beginning after December 31, 1998.

19 **SEC. 111. DEDUCTION LIMITS.**

20 (a) IN GENERAL.—

21 (1) STOCK BONUS AND PROFIT SHARING  
22 TRUSTS.—Subclause (I) of section 404(a)(3)(A)(i)  
23 (relating to stock bonus and profit sharing trusts) is  
24 amended by striking “15 percent” and inserting “25  
25 percent”.

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

4           “(12) DEFINITION OF COMPENSATION.—For  
5 purposes of paragraphs (3), (7), and (9), the term  
6 ‘compensation otherwise paid or accrued during the  
7 taxable year’ shall include amounts treated as ‘par-  
8 ticipant’s compensation’ under subparagraph (C) or  
9 (D) of section 415(c)(3).”.

10           (3) DEFINED CONTRIBUTION PLANS.—Subpara-  
11 graph (A) of section 404(a)(3) (relating to stock  
12 bonus and profit sharing trusts) is amended by add-  
13 ing at the end the following:

14                   “(vi) DEFINED CONTRIBUTION PLANS  
15                   SUBJECT TO THE FUNDING STANDARDS.—  
16                   Except as provided by the Secretary, for  
17                   purposes of this subparagraph, a defined  
18                   contribution plan which is subject to the  
19                   funding standards of section 412 shall be  
20                   treated in the same manner as a stock  
21                   bonus or profit-sharing plan.”.

22           (b) CONFORMING AMENDMENTS.—

23           (1) Subparagraph (A) of section 404(a)(3) is  
24 amended by striking clause (v) and by redesignating

1 clause (vi) (as added by subsection (a)(3) of this sec-  
2 tion) as clause (v).

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

5 (3) Subparagraph (D) of section 404(a)(8) is  
6 amended by striking the period at the end and in-  
7 sserting the following: “, except that such earned in-  
8 come shall be adjusted under rules similar to the  
9 rules of paragraph (12).”.

10 (4) Subparagraph (C) of section 404(h)(1) is  
11 amended by striking “15 percent” each place it ap-  
12 pears and inserting “25 percent”.

13 (5) Paragraph (2) of section 404(h) is amended  
14 by striking “stock bonus or profit-sharing trust” and  
15 inserting “trust subject to subsection (a)(3)(A)”.

16 (6) Clause (i) of section 4972(c)(6)(B) is  
17 amended by striking “(within the meaning of section  
18 404(a))” and inserting “(within the meaning of sec-  
19 tion 404(a) and as adjusted under section  
20 404(a)(12))”.

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to years beginning after December  
23 31, 1999.

1 **SEC. 112. OPTION TO TREAT ELECTIVE DEFERRALS AS**  
2 **AFTER-TAX CONTRIBUTIONS.**

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

7 **“SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFER-**  
8 **RALS AS PLUS CONTRIBUTIONS.**

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

11 “(1) any designated plus contribution made by  
12 an employee pursuant to the program shall be treat-  
13 ed as an elective deferral for purposes of this chap-  
14 ter, except that such contribution shall not be ex-  
15 cludable from gross income, and

16 “(2) such plan (and any arrangement which is  
17 part of such plan) shall not be treated as failing to  
18 meet any requirement of this chapter solely by rea-  
19 son of including such program.

20 “(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—  
21 For purposes of this section—

22 “(1) IN GENERAL.—The term ‘qualified plus  
23 contribution program’ means a program under which  
24 an employee may elect to make designated plus con-  
25 tributions in lieu of all or a portion of elective defer-

1 rals the employee is otherwise eligible to make under  
2 the applicable retirement plan.

3 “(2) SEPARATE ACCOUNTING REQUIRED.—A  
4 program shall not be treated as a qualified plus con-  
5 tribution program unless the applicable retirement  
6 plan—

7 “(A) establishes separate accounts (‘des-  
8 ignated plus accounts’) for the designated plus  
9 contributions of each employee and any earn-  
10 ings properly allocable to the contributions, and

11 “(B) maintains separate recordkeeping  
12 with respect to each account.

13 “(c) DEFINITIONS AND RULES RELATING TO DES-  
14 IGNATED PLUS CONTRIBUTIONS.—For purposes of this  
15 section—

16 “(1) DESIGNATED PLUS CONTRIBUTION.—The  
17 term ‘designated plus contribution’ means any elec-  
18 tive deferral which—

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

21 “(B) the employee designates (at such time  
22 and in such manner as the Secretary may pre-  
23 scribe) as not being so excludable.

24 “(2) DESIGNATION LIMITS.—The amount of  
25 elective deferrals which an employee may designate

1 under paragraph (1) shall not exceed the excess (if  
2 any) of—

3 “(A) the maximum amount of elective de-  
4 ferrals excludable from gross income of the em-  
5 ployee for the taxable year (without regard to  
6 this section), over

7 “(B) the aggregate amount of elective de-  
8 ferrals of the employee for the taxable year  
9 which the employee does not designate under  
10 paragraph (1).

11 “(3) ROLLOVER CONTRIBUTIONS.—

12 “(A) IN GENERAL.—A rollover contribu-  
13 tion of any payment or distribution from a des-  
14 ignated plus account which is otherwise allow-  
15 able under this chapter may be made only if the  
16 contribution is to—

17 “(i) another designated plus account  
18 of the individual from whose account the  
19 payment or distribution was made, or

20 “(ii) a Roth IRA of such individual.

21 “(B) COORDINATION WITH LIMIT.—Any  
22 rollover contribution to a designated plus ac-  
23 count under subparagraph (A) shall not be  
24 taken into account for purposes of paragraph  
25 (1).



1       “(d) DISTRIBUTION RULES.—For purposes of this  
2 title—

3               “(1) EXCLUSION.—Any qualified distribution  
4 from a designated plus account shall not be includ-  
5 ible in gross income.

6               “(2) QUALIFIED DISTRIBUTION.—For purposes  
7 of this subsection—

8                       “(A) IN GENERAL.—The term ‘qualified  
9 distribution’ has the meaning given such term  
10 by section 408A(d)(2)(A).

11                      “(B) DISTRIBUTIONS WITHIN NONEXCLU-  
12 SION PERIOD.—A payment or distribution from  
13 a designated plus account shall not be treated  
14 as a qualified distribution if such payment or  
15 distribution is made within the 5-taxable-year  
16 period beginning with the earlier of—

17                               “(i) the earlier of—

18                                       “(I) the 1st taxable year for  
19 which the individual made a des-  
20 igned plus contribution to any des-  
21 igned plus account established for  
22 such individual under the same appli-  
23 cable retirement plan, or

24                                       “(II) if a rollover contribution  
25 was made to such designated plus ac-

1 count from a designated plus account  
2 previously established for such individ-  
3 ual under another applicable retire-  
4 ment plan, the 1st taxable year for  
5 which the individual made a des-  
6 ignated plus contribution to such pre-  
7 viously established account), or

8 “(ii) the 1st taxable year for which  
9 the individual (or the individual’s spouse)  
10 made a contribution to a Roth IRA estab-  
11 lished for such individual.

12 “(C) DISTRIBUTIONS OF EXCESS DEFER-  
13 RALS AND EARNINGS.—The term ‘qualified dis-  
14 tribution’ shall not include any distribution of  
15 any excess deferral under section 402(g)(2) and  
16 any income on the excess deferral.

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

21 “(e) OTHER DEFINITIONS.—For purposes of this  
22 section—

23 “(1) APPLICABLE RETIREMENT PLAN.—The  
24 term ‘applicable retirement plan’ means—

1           “(A) an employees’ trust described in sec-  
2           tion 401(a) which is exempt from tax under  
3           section 501(a), and

4           “(B) a plan under which amounts are con-  
5           tributed by an individual’s employer for an an-  
6           nuity contract described in section 403(b).

7           “(2) ELECTIVE DEFERRAL.—The term ‘elective  
8           deferral’ means any elective deferral described in  
9           subparagraph (A) or (C) of section 402(g)(3).”

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

13           (1) by adding at the end of paragraph (1) the  
14           following new sentence: “The preceding sentence  
15           shall not apply to so much of such excess as does  
16           not exceed the designated plus contributions of the  
17           individual for the taxable year.”, and

18           (2) by inserting “(or would be included but for  
19           the last sentence thereof)” after “paragraph (1)” in  
20           paragraph (2)(A).

21          (c) ROLLOVERS.—Subparagraph (B) of section  
22 402(c)(7) (as amended by sections 301 and 302) is  
23 amended by adding at the end the following:

24           “Without regard to the foregoing provisions of  
25           this paragraph, if any portion of an eligible roll-

1 over distribution is attributable to payments or  
2 distributions from a designated plus account (as  
3 defined in section 402A), an eligible retirement  
4 plan with respect to such portion shall include  
5 only another designated plus account and a  
6 Roth IRA.”

7 (d) REPORTING REQUIREMENTS.—

8 (1) W-2 INFORMATION.—Section 6051(a)(8) is  
9 amended by inserting “, including the amount of  
10 designated plus contributions (as defined in section  
11 402A)” before the comma at the end.

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

16 “(f) DESIGNATED PLUS CONTRIBUTIONS.—The Sec-  
17 retary shall require the plan administrator of each applica-  
18 ble retirement plan (as defined in section 402A) to make  
19 such returns and reports regarding designated plus con-  
20 tributions (as so defined) to the Secretary, participants  
21 and beneficiaries of the plan, and such other persons as  
22 the Secretary may prescribe.”

23 (e) CONFORMING AMENDMENTS.—

24 (1) Section 408A(e) is amended by adding after  
25 the first sentence the following new sentence: “Such

1 term includes a rollover contribution described in  
2 section 402A(c)(3)(A).”

3 (2) The table of sections for subpart A of part  
4 I of subchapter D of chapter 1 is amended by insert-  
5 ing after the item relating to section 402 the follow-  
6 ing new item:

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

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

10 **SEC. 113. CREDIT FOR PENSION PLAN STARTUP COSTS OF**  
11 **SMALL EMPLOYERS.**

12 (a) IN GENERAL.—Subpart D of part IV of sub-  
13 chapter A of chapter 1 (relating to business related cred-  
14 its) is amended by adding at the end the following new  
15 section:

16 **“SEC. 45D. SMALL EMPLOYER PENSION PLAN STARTUP**  
17 **COSTS.**

18 “(a) GENERAL RULE.—For purposes of section 38,  
19 in the case of an eligible employer, the small employer pen-  
20 sion plan startup cost credit determined under this section  
21 for any taxable year is an amount equal to 50 percent  
22 of the qualified startup costs paid or incurred by the tax-  
23 payer during the taxable year.

1       “(b) DOLLAR LIMITATION.—The amount of the cred-  
2 it determined under this section for any taxable year shall  
3 not exceed—

4           “(1) \$1,000 for the first credit year,

5           “(2) \$500 for each of the 2 taxable years imme-  
6 diately following the first credit year, and

7           “(3) zero for any other taxable year.

8       “(c) ELIGIBLE EMPLOYER.—For purposes of this  
9 section—

10           “(1) IN GENERAL.—The term ‘eligible em-  
11 ployer’ has the meaning given such term by section  
12 408(p)(2)(C)(i).

13           “(2) EMPLOYERS MAINTAINING QUALIFIED  
14 PLANS DURING 1998 NOT ELIGIBLE.—Such term  
15 shall not include an employer if such employer (or  
16 any predecessor employer) maintained a qualified  
17 plan (as defined in section 408(p)(2)(D)(ii)) with re-  
18 spect to which contributions were made, or benefits  
19 were accrued, for service in 1998. If only individuals  
20 other than employees described in subparagraph (A)  
21 of section 410(b)(3) are eligible to participate in the  
22 qualified employer plan referred to in subsection  
23 (d)(1), then the preceding sentence shall be applied  
24 without regard to any qualified plan in which only  
25 employees so described are eligible to participate.

1       “(d) OTHER DEFINITIONS.—For purposes of this  
2 section—

3           “(1) QUALIFIED STARTUP COSTS.—

4               “(A) IN GENERAL.—The term ‘qualified  
5 startup costs’ means any ordinary and nec-  
6 essary expenses of an eligible employer which  
7 are paid or incurred in connection with—

8                   “(i) the establishment or administra-  
9 tion of an eligible employer plan, or

10                   “(ii) the retirement-related education  
11 of employees with respect to such plan.

12               “(B) PLAN MUST HAVE AT LEAST 2 PAR-  
13 TICIPANTS.—Such term shall not include any  
14 expense in connection with a plan that does not  
15 have at least 2 individuals who are eligible to  
16 participate.

17               “(C) PLAN MUST BE ESTABLISHED BE-  
18 FORE JANUARY 1, 2002.—Such term shall not  
19 include any expense in connection with a plan  
20 established after December 31, 2001.

21           “(2) ELIGIBLE EMPLOYER PLAN.—The term  
22 ‘eligible employer plan’ means a qualified employer  
23 plan within the meaning of section 4972(d).

24           “(3) FIRST CREDIT YEAR.—The term ‘first  
25 credit year’ means—

1           “(A) the taxable year which includes the  
2           date that the eligible employer plan to which  
3           such costs relate becomes effective, or

4           “(B) at the election of the eligible em-  
5           ployer, the taxable year preceding the taxable  
6           year referred to in subparagraph (A).

7           “(e) SPECIAL RULES.—For purposes of this  
8 section—

9           “(1) AGGREGATION RULES.—All persons treat-  
10          ed as a single employer under subsection (a) or (b)  
11          of section 52, or subsection (n) or (o) of section 414,  
12          shall be treated as one person. All eligible employer  
13          plans shall be treated as 1 eligible employer plan.

14          “(2) DISALLOWANCE OF DEDUCTION.—No de-  
15          duction shall be allowed for that portion of the quali-  
16          fied startup costs paid or incurred for the taxable  
17          year which is equal to the credit determined under  
18          subsection (a).

19          “(3) ELECTION NOT TO CLAIM CREDIT.—This  
20          section shall not apply to a taxpayer for any taxable  
21          year if such taxpayer elects to have this section not  
22          apply for such taxable year.”

23          (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-  
24          NESS CREDIT.—Section 38(b) (defining current year busi-  
25          ness credit) is amended by striking “plus” at the end of



1 paragraph (11), by striking the period at the end of para-  
2 graph (12) and inserting “, plus”, and by adding at the  
3 end the following new paragraph:

4 “(13) in the case of an eligible employer (as de-  
5 fined in section 45D(e)), the small employer pension  
6 plan startup cost credit determined under section  
7 45D(a).”

8 (e) CONFORMING AMENDMENTS.—

9 (1) Section 39(d) is amended by adding at the  
10 end the following new paragraph:

11 “(8) NO CARRYBACK OF SMALL EMPLOYER  
12 PENSION PLAN STARTUP COST CREDIT BEFORE EF-  
13 FECTIVE DATE.—No portion of the unused business  
14 credit for any taxable year which is attributable to  
15 the small employer pension plan startup cost credit  
16 determined under section 45D may be carried back  
17 to a taxable year ending on or before the date of the  
18 enactment of section 45D.”

19 (2) Subsection (c) of section 196 is amended by  
20 striking “and” at the end of paragraph (7), by strik-  
21 ing the period at the end of paragraph (8) and in-  
22 sserting “, and”, and by adding at the end the follow-  
23 ing new paragraph:

24 “(9) the small employer pension plan startup  
25 cost credit determined under section 45D(a).”

1           (3) The table of sections for subpart D of part  
2           IV of subchapter A of chapter 1 is amended by add-  
3           ing at the end the following new item:

          “Sec. 45D. Small employer pension plan startup costs.”

4           (d) EFFECTIVE DATE.—The amendments made by  
5           this section shall apply to costs paid or incurred in taxable  
6           years ending after the date of the enactment of this Act.

7           **TITLE II—ENHANCING FAIRNESS**  
8           **FOR WOMEN AND CHILDREN**

9           **SEC. 201. ADDITIONAL SALARY REDUCTION CATCH-UP CON-**  
10           **TRIBUTIONS.**

11           (a) LIMITATION ON EXCLUSION FOR ELECTIVE DE-  
12           FERRALS.—

13           (1) IN GENERAL.—Subsection (g) of section  
14           402 (as amended by section 101(d)) is further  
15           amended by adding at the end the following:

16           “(9) CATCH-UP CONTRIBUTIONS FOR THOSE  
17           APPROACHING RETIREMENT.—In the case of an indi-  
18           vidual who has attained age 50 during any taxable  
19           year, the limitation of paragraph (1) for such year,  
20           after the application of paragraph (8), shall be in-  
21           creased by \$5,000.”.

22           (2) COST-OF-LIVING ADJUSTMENT.—Paragraph  
23           (4) of section 402(g) (relating to cost-of-living ad-  
24           justment), as amended by section 101(d), is further

1 amended by inserting “and the \$5,000 amount  
2 under paragraph (9)” after “paragraph (1)”.

3 (b) SIMPLE RETIREMENT ACCOUNTS.—

4 (1) IN GENERAL.—Paragraph (2) of section  
5 408(p) (relating to qualified salary reduction ar-  
6 rangement) (as amended by sections 101(f) and  
7 103(a)) is further amended by redesignating sub-  
8 paragraph (F) as subparagraph (G) and by inserting  
9 after subparagraph (E) the following new subpara-  
10 graph:

11 “(F) CATCH-UP CONTRIBUTIONS FOR  
12 THOSE APPROACHING RETIREMENT.—In the  
13 case of an individual who has attained age 50  
14 during any taxable year, the limitation of sub-  
15 paragraph (A)(ii) for such year shall be in-  
16 creased by \$5,000.”.

17 (2) COST-OF-LIVING ADJUSTMENT.—Subpara-  
18 graph (G) of section 408(p)(2) (as so redesignated)  
19 is amended by inserting “and the \$5,000 amount  
20 under subparagraph (F)” after “subparagraph  
21 (A)(ii)”.

22 (c) DEFERRED COMPENSATION PLANS OF STATE  
23 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-  
24 ZATIONS.—

1           (1) IN GENERAL.—Subsection (b) of section  
2           457 (relating to definition of eligible deferred com-  
3           pensation plan) is amended by adding at the end the  
4           following new paragraph:

5           “(7) CATCH-UP CONTRIBUTIONS FOR THOSE  
6           APPROACHING RETIREMENT.—In the case of an indi-  
7           vidual who has attained age 50 during any taxable  
8           year, the limitation of paragraph (2)(A) for such  
9           year shall be increased by \$5,000.”.

10           (2) COST-OF-LIVING ADJUSTMENT.—Paragraph  
11           (15) of section 457(e) (relating to cost-of-living ad-  
12           justment) is amended by inserting “, and the \$5,000  
13           amount specified in subsection (b)(7),” after  
14           “(c)(1)”.

15           (d) EFFECTIVE DATE.—The amendments made by  
16           this section shall apply to years beginning after December  
17           31, 1999.

18   **SEC. 202. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF**  
19                   **EMPLOYEES TO DEFINED CONTRIBUTION**  
20                   **PLANS.**

21           (a) IN GENERAL.—

22           (1) Subparagraph (B) of section 415(c)(1) (re-  
23           lating to limitation for defined contribution plans) is  
24           amended to read as follows:

25           “(B) the participant’s compensation.”.

1 (2) CONFORMING AMENDMENTS.—

2 (A) Subsection (f) of section 72 is amend-  
3 ed by striking “section 403(b)(2)(D)(iii)” and  
4 inserting “section 403(b)(2)(D)(iii), as in effect  
5 on December 31, 1998”.

6 (B) Section 403(b) is amended—

7 (i) by striking “the exclusion allow-  
8 ance for such taxable year” in paragraph  
9 (1) and inserting “the applicable limit  
10 under section 415”,

11 (ii) by striking paragraph (2), and

12 (iii) by inserting “or any amount re-  
13 ceived by a former employee after the 5th  
14 taxable year following the taxable year in  
15 which such employee was terminated” be-  
16 fore the period at the end of the second  
17 sentence of paragraph (3).

18 (C) Section 404(a)(10)(B) is amended by  
19 striking “, the exclusion allowance under sec-  
20 tion 403(b)(2),”.

21 (D) Section 415(a)(2) is amended by strik-  
22 ing “, and the amount of the contribution for  
23 such portion shall reduce the exclusion allow-  
24 ance as provided in section 403(b)(2)”.

1           (E) Section 415(c)(3) is amended by add-  
2           ing at the end the following new subparagraph:

3           “(E) ANNUITY CONTRACTS.—In the case  
4           of an annuity contract described in section  
5           403(b), the term ‘participant’s compensation’  
6           means the participant’s includible compensation  
7           determined under section 403(b)(3).”.

8           (F) Section 415(c) is amended by striking  
9           paragraph (4).

10          (G) Section 415(c)(7) is amended to read  
11          as follows:

12          “(7) CERTAIN CONTRIBUTIONS BY CHURCH  
13          PLANS NOT TREATED AS EXCEEDING LIMIT.—

14          “(A) IN GENERAL.—Notwithstanding any  
15          other provision of this subsection, at the elec-  
16          tion of a participant who is an employee of a  
17          church, a convention or association of churches,  
18          including an organization described in section  
19          414(e)(3)(B)(ii), contributions and other addi-  
20          tions for an annuity contract or retirement in-  
21          come account described in section 403(b) with  
22          respect to such participant, when expressed as  
23          an annual addition to such participant’s ac-  
24          count, shall be treated as not exceeding the lim-

1           itation of paragraph (1) if such annual addition  
2           is not in excess of \$10,000.

3           “(B) \$40,000 AGGREGATE LIMITATION.—  
4           The total amount of additions with respect to  
5           any participant which may be taken into ac-  
6           count for purposes of this subparagraph for all  
7           years may not exceed \$40,000.

8           “(C) ANNUAL ADDITION.—For purposes of  
9           this paragraph, the term ‘annual addition’ has  
10          the meaning given such term by paragraph  
11          (2).”.

12          (H) Section 415(e)(5) is amended—

13                 (i) by striking “(except in the case of  
14                 a participant who has elected under sub-  
15                 section (c)(4)(D) to have the provisions of  
16                 subsection (c)(4)(C) apply)”, and

17                 (ii) by striking the last sentence.

18          (I) Section 415(n)(2)(B) is amended by  
19          striking “percentage”.

20          (J) Subparagraph (B) of section 402(g)(7)  
21          (as amended by section 101(d)) is amended by  
22          inserting before the period at the end the fol-  
23          lowing: “(as in effect on the date of the enact-  
24          ment of the Retirement Security for the 21st  
25          Century Act)”.

1           (3) EFFECTIVE DATE.—The amendments made  
2           by this subsection shall apply to years beginning  
3           after December 31, 1999.

4           (b) SPECIAL RULES FOR SECTIONS 403(b) AND  
5 408.—

6           (1) IN GENERAL.—Subsection (k) of section  
7           415 is amended by adding at the end the following  
8           new paragraph:

9           “(4) SPECIAL RULES FOR SECTIONS 403(b) AND  
10          408.—For purposes of this section, any annuity con-  
11          tract described in section 403(b) for the benefit of  
12          a participant shall be treated as a defined contribu-  
13          tion plan maintained by each employer with respect  
14          to which the participant has the control required  
15          under subsection (b) or (c) of section 414 (as modi-  
16          fied by subsection (h)). For purposes of this section,  
17          any contribution by an employer to a simplified em-  
18          ployee pension plan for an individual for a taxable  
19          year shall be treated as an employer contribution to  
20          a defined contribution plan for such individual for  
21          such year.”.

22          (2) EFFECTIVE DATE.—The amendment made  
23          by paragraph (1) shall apply to limitation years be-  
24          ginning after December 31, 1999.



1 (c) DEFERRED COMPENSATION PLANS OF STATE  
 2 AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANI-  
 3 ZATIONS.—Subparagraph (B) of section 457(b)(2) (relat-  
 4 ing to salary limitation on eligible deferred compensation  
 5 plans) is amended by striking “33 $\frac{1}{3}$  percent” and insert-  
 6 ing “100 percent”.

7 (d) EFFECTIVE DATE.—The amendments made by  
 8 this section shall apply to years beginning after December  
 9 31, 1999.

10 **SEC. 203. FASTER VESTING OF CERTAIN EMPLOYER**  
 11 **MATCHING CONTRIBUTIONS.**

12 (a) AMENDMENTS TO 1986 CODE.—Section 411(a)  
 13 (relating to minimum vesting standards) is amended—

14 (1) in paragraph (2), by striking “A plan” and  
 15 inserting “Except as provided in paragraph (12), a  
 16 plan”, and

17 (2) by adding at the end the following:

18 “(12) FASTER VESTING FOR MATCHING CON-  
 19 TRIBUTIONS.—In the case of matching contributions  
 20 (as defined in section 401(m)(4)(A)), paragraph (2)  
 21 shall be applied—

22 “(A) by substituting ‘3 years’ for ‘5 years’  
 23 in subparagraph (A), and

24 “(B) by substituting the following table for  
 25 the table contained in subparagraph (B):

<b>“Years of service:</b>	<b>The nonforfeitable percentage is:</b>
1 .....	20
2 .....	40
3 .....	60
4 .....	80
5 .....	100.”.

1 (b) AMENDMENTS TO ERISA.—Section 203(a) of the  
 2 Employee Retirement Income Security Act of 1974 (29  
 3 U.S.C. 1053(a)) is amended—

4 (1) in paragraph (2), by striking “A plan” and  
 5 inserting “Except as provided in paragraph (4), a  
 6 plan”, and

7 (2) by adding at the end the following:

8 “(4) In the case of matching contributions (as  
 9 defined in section 401(m)(4)(A) of the Internal Rev-  
 10 enue Code of 1986), paragraph (2) shall be  
 11 applied—

12 “(A) by substituting ‘3 years’ for ‘5 years’  
 13 in subparagraph (A), and

14 “(B) by substituting the following table for  
 15 the table contained in subparagraph (B):

<b>“Years of service:</b>	<b>The nonforfeitable percentage is:</b>
1 .....	20
2 .....	40
3 .....	60
4 .....	80
5 .....	100.”.

16 (c) EFFECTIVE DATES.—

17 (1) IN GENERAL.—Except as provided in para-  
 18 graph (2), the amendments made by this section

1 shall apply to contributions for plan years beginning  
2 after December 31, 1999.

3 (2) COLLECTIVE BARGAINING AGREEMENTS.—

4 In the case of a plan maintained pursuant to 1 or  
5 more collective bargaining agreements between em-  
6 ployee representatives and 1 or more employers rati-  
7 fied by the date of enactment of this Act, the  
8 amendments made by this section shall not apply to  
9 contributions on behalf of employees covered by any  
10 such agreement for plan years beginning before the  
11 earlier of—

12 (A) the later of—

13 (i) the date on which the last of such  
14 collective bargaining agreements termi-  
15 nates (determined without regard to any  
16 extension thereof on or after such date of  
17 enactment), or

18 (ii) January 1, 2000, or

19 (B) January 1, 2004.

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

1 **SEC. 204. DEFERRED ANNUITIES FOR SURVIVING SPOUSES**  
2 **OF FEDERAL EMPLOYEES.**

3 (a) IN GENERAL.—Section 8341 of title 5, United  
4 States Code, is amended—

5 (1) in subsection (h)(1), by striking “section  
6 8338(b) of this title” and inserting “section  
7 8338(b), and a former spouse of a deceased former  
8 employee who separated from the service with title  
9 to a deferred annuity under section 8338 (if they  
10 were married to one another prior to the date of sep-  
11 aration),”; and

12 (2) by adding at the end the following:

13 “(j)(1) If a former employee dies after having sepa-  
14 rated from the service with title to a deferred annuity  
15 under section 8338 but before having established a valid  
16 claim for annuity, and is survived by a spouse to whom  
17 married on the date of separation, the surviving spouse  
18 may elect to receive—

19 “(A) an annuity, commencing on what would  
20 have been the former employee’s 62d birthday, equal  
21 to 55 percent of the former employee’s deferred an-  
22 nuity;

23 “(B) an annuity, commencing on the day after  
24 the date of death of the former employee, such that,  
25 to the extent practicable, the present value of the fu-  
26 ture payments of the annuity would be actuarially

1 equivalent to the present value of the future pay-  
2 ments under subparagraph (A) as of the day after  
3 the former employee's death; or

4 “(C) the lump-sum credit, if the surviving  
5 spouse is the individual who would be entitled to the  
6 lump-sum credit and if such surviving spouse files  
7 application therefor.

8 “(2) An annuity under this subsection and the right  
9 thereto terminate on the last day of the month before the  
10 surviving spouse remarries before becoming 55 years of  
11 age, or dies.”.

12 (b) CORRESPONDING AMENDMENT FOR FERS.—  
13 Section 8445(a) of title 5, United States Code, is  
14 amended—

15 (1) by striking “(or of a former employee or”  
16 and inserting “(or of a former”; and

17 (2) by striking “annuity)” and inserting “annu-  
18 ity, or of a former employee who dies after having  
19 separated from the service with title to a deferred  
20 annuity under section 8413 but before having estab-  
21 lished a valid claim for annuity (if such former  
22 spouse was married to such former employee prior  
23 to the date of separation))”.

24 (c) EFFECTIVE DATE.—The amendments made by  
25 this section shall apply with respect to surviving spouses

1 and former spouses (whose marriage, in the case of the  
2 amendments made by subsection (a), terminated after  
3 May 6, 1985) of former employees who die after the date  
4 of the enactment of this Act.

5 **SEC. 205. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.**  
6

7 (a) SIMPLIFICATION AND FINALIZATION OF MINI-  
8 MUM DISTRIBUTION REQUIREMENTS.—

9 (1) IN GENERAL.—The Secretary of the Treas-  
10 ury shall—

11 (A) simplify and finalize the regulations re-  
12 lating to minimum distribution requirements  
13 under sections 401(a)(9), 408(a)(6) and (b)(3),  
14 403(b)(10), and 457(d)(2) of the Internal Reve-  
15 nue Code of 1986, and

16 (B) modify such regulations to—

17 (i) reflect increases in life expectancy,

18 and

19 (ii) revise the required distribution  
20 methods so that, under reasonable assump-  
21 tions, the amount of the required minimum  
22 distribution does not decrease over a par-  
23 ticipant's life expectancy.

24 (2) FRESH START.—Notwithstanding subpara-  
25 graph (D) of section 401(a)(9) of such Code, during

1 the first year that regulations are in effect under  
2 this subsection, required distributions for future  
3 years may be redetermined to reflect changes under  
4 such regulations. Such redetermination shall include  
5 the opportunity to choose a new designated bene-  
6 ficiary and to elect a new method of calculating life  
7 expectancy.

8 (3) EFFECTIVE DATE FOR REGULATIONS.—  
9 Regulations referred to in paragraph (1) shall be ef-  
10 fective for years beginning after December 31, 2000,  
11 and shall apply in such years without regard to  
12 whether an individual had previously begun receiving  
13 minimum distributions.

14 (b) AMOUNT NOT SUBJECT TO MINIMUM DISTRIBU-  
15 TION REQUIREMENTS.—Paragraph (9) of section 401(a)  
16 is amended—

17 (1) in subparagraph (A), by inserting “(minus  
18 the exclusion amount)” after “the entire interest”;  
19 and

20 (2) by adding at the end the following:

21 “(H) EXCLUSION AMOUNT.—

22 “(i) IN GENERAL.—For purposes of  
23 this paragraph, the term ‘exclusion  
24 amount’ means—

1                   “(I) \$100,000 in the case of a  
2                   defined contribution plan;

3                   “(II) \$100,000 in the case of an  
4                   individual retirement plan; and

5                   “(III) \$0 in the case of a defined  
6                   benefit plan.

7                   “(ii) AGGREGATION OF PLANS.—For  
8                   purposes of determining the exclusion  
9                   amount under clause (i)—

10                   “(I) all defined contribution  
11                   plans maintained by the same em-  
12                   ployer shall be treated as a single  
13                   plan; and

14                   “(II) all individual retirement  
15                   plans (other than Roth IRAs) of the  
16                   individual shall be treated as a single  
17                   plan.

18                   “(iii) COST-OF-LIVING ADJUST-  
19                   MENT.—The Secretary shall adjust the  
20                   \$100,000 exclusion amount specified in  
21                   clause (i) at the same time and in the  
22                   same manner as under section 415(d), ex-  
23                   cept that the base period shall be the cal-  
24                   endar quarter ending September 30,  
25                   1999.”.



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

4           (c) REPEAL OF RULE WHERE DISTRIBUTIONS HAD  
5           BEGUN BEFORE DEATH OCCURS.—

6           (1) IN GENERAL.—Subparagraph (B) of section  
7           401(a)(9) is amended by striking clause (i) and re-  
8           designating clauses (ii), (iii), and (iv) as clauses (i),  
9           (ii), and (iii), respectively.

10          (2) CONFORMING CHANGES.—

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

13           (i) by striking “FOR OTHER CASES” in  
14           the heading, and

15           (ii) by striking “the distribution of the  
16           employee’s interest has begun in accord-  
17           ance with subparagraph (A)(ii)” and in-  
18           serting “his entire interest has been dis-  
19           tributed to him,”.

20           (B) Clause (ii) of section 401(a)(9)(B) (as  
21           so redesignated) is amended by striking “clause  
22           (ii)” and inserting “clause (i)”.

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

1 (i) by striking “clause (iii)(I)” and in-  
2 serting “clause (ii)(I)”,

3 (ii) in subclause (I) by striking  
4 “clause (iii)(III)” and inserting “clause  
5 (ii)(III)”,

6 (iii) in subclause (I) by striking “the  
7 date on which the employee would have at-  
8 tained the age 70½,” and inserting “April  
9 1 of the calendar year following the cal-  
10 endar year in which the spouse attains  
11 70½, and clause (ii) shall not apply to the  
12 exclusion amount,” and

13 (iv) in subclause (II) by striking “the  
14 distributions to such spouse begin,” and  
15 inserting “his entire interest has been dis-  
16 tributed to him,”.

17 (3) REDUCTION IN EXCISE TAX.—Subsection  
18 (a) of section 4974 is amended by striking “50 per-  
19 cent” and inserting “10 percent”.

20 (4) EFFECTIVE DATE.—

21 (A) IN GENERAL.—Except as provided by  
22 subparagraph (B), the amendments made by  
23 this subsection shall apply to years beginning  
24 after December 31, 2000.

1                   (B) EXCISE TAX.—The amendment made  
2                   by paragraph (3) shall apply to years beginning  
3                   after December 31, 1999.

4 **SEC. 206. CLARIFICATION OF TAX TREATMENT OF DIVISION**  
5                   **OF SECTION 457 PLAN BENEFITS UPON DI-**  
6                   **VORCE.**

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

10           (1) by inserting “or an eligible deferred com-  
11           pensation plan (within the meaning of section  
12           457(b))” after “subsection (e)”, and

13           (2) in the heading, by striking “GOVERN-  
14           MENTAL AND CHURCH PLANS” and inserting “CER-  
15           TAIN OTHER PLANS”.

16           (b) WAIVER OF CERTAIN DISTRIBUTION REQUIRE-  
17           MENTS.—Paragraph (10) of section 414(p) is amended by  
18           striking “and section 409(d)” and inserting “section  
19           409(d), and section 457(d)”.

20           (c) TAX TREATMENT OF PAYMENTS FROM A SEC-  
21           TION 457 PLAN.—Subsection (p) of section 414 is amend-  
22           ed by redesignating paragraph (12) as paragraph (13) and  
23           inserting after paragraph (11) the following new para-  
24           graph:

1           “(12) TAX TREATMENT OF PAYMENTS FROM A  
2           SECTION 457 PLAN.—If a distribution or payment  
3           from an eligible deferred compensation plan de-  
4           scribed in section 457(b) is made pursuant to a  
5           qualified domestic relations order, rules similar to  
6           the rules of section 402(e)(1)(A) shall apply to such  
7           distribution or payment.”.

8           (d) EFFECTIVE DATE.—The amendments made by  
9           this section shall apply to transfers, distributions, and  
10          payments made after the date of enactment of this Act.

11 **SEC. 207. PERCENTAGE LIMITATIONS ON CONTRIBUTIONS.**

12          (a) AMENDMENTS RELATING TO FERS.—

13               (1) IN GENERAL.—

14                       (A) Subsection (a) of section 8432 of title  
15                       5, United States Code, is amended by striking  
16                       “10 percent of”.

17                       (B) Subsection (d) of section 8432 of title  
18                       5, United States Code, is amended by striking  
19                       “section 415” and inserting “section  
20                       401(a)(30) or 415”.

21               (2) JUSTICES AND JUDGES.—Subsection (b) of  
22               section 8440a of title 5, United States Code, is  
23               amended—

1 (A) by striking paragraph (2) and by re-  
2 designating paragraphs (3) through (7) as  
3 paragraphs (2) through (6), respectively; and

4 (B) in paragraph (6) (as so redesignated  
5 by subparagraph (A)) by striking “paragraphs  
6 (4) and (5)” and inserting “paragraphs (3) and  
7 (4)”.

8 (3) BANKRUPTCY JUDGES AND MAG-  
9 ISTRATES.—Subsection (b) of section 8440b of title  
10 5, United States Code, is amended—

11 (A) by striking paragraph (2) and by re-  
12 designating paragraphs (3) through (8) as  
13 paragraphs (2) through (7), respectively;

14 (B) in paragraph (4) (as so redesignated  
15 by subparagraph (A)) by striking “paragraph  
16 (4)(A), (B), or (C)” and inserting “paragraph  
17 (3)(A), (B), or (C)”;

18 (C) in paragraph (7) (as so redesignated  
19 by subparagraph (A)) by striking “Notwith-  
20 standing paragraph (4),” and inserting “Not-  
21 withstanding paragraph (3),”.

22 (4) COURT OF FEDERAL CLAIMS JUDGES.—  
23 Subsection (b) of section 8440c of title 5, United  
24 States Code, is amended—

1 (A) by striking paragraph (2) and by re-  
2 designating paragraphs (3) through (8) as  
3 paragraphs (2) through (7), respectively;

4 (B) in paragraph (4) (as so redesignated  
5 by subparagraph (A)) by striking “paragraph  
6 (4)(A) or (B)” and inserting “paragraph (3)(A)  
7 or (B)”; and

8 (C) in paragraph (7) (as so redesignated  
9 by subparagraph (A)) by striking “Notwith-  
10 standing paragraph (4),” and inserting “Not-  
11 withstanding paragraph (3),”.

12 (5) JUDGES OF THE UNITED STATES COURT OF  
13 VETERANS APPEALS.—Paragraph (2) of section  
14 8440d(b) of title 5, United States Code, is amended  
15 to read as follows:

16 “(2) For purposes of contributions made to the Thrift  
17 Savings Fund, basic pay does not include any retired pay  
18 paid pursuant to section 7296 of title 38.”.

19 (b) AMENDMENTS RELATING TO CSRS.—Paragraph  
20 (2) of section 8351(b) of title 5, United States Code, is  
21 amended by striking “5 percent of”.

22 (c) EFFECTIVE DATE.—

23 (1) IN GENERAL.—The amendments made by  
24 this section shall take effect on the date of enact-  
25 ment of this Act.

1           (2) COORDINATION WITH ELECTION PERI-  
2           ODS.—The Executive Director shall by regulation  
3           determine the first election period in which elections  
4           may be made consistent with the amendments made  
5           by this section.

6           (3) DEFINITIONS.—For purposes of this  
7           section—

8                   (A) the term “election period” means a pe-  
9                   riod afforded under section 8432(b) of title 5,  
10                  United States Code; and

11                   (B) the term “Executive Director” has the  
12                  meaning given such term by section 8401(13)  
13                  of title 5, United States Code.

14 **SEC. 208. ELIGIBLE ROLLOVER DISTRIBUTIONS.**

15           Section 8432 of title 5, United States Code, is  
16           amended by adding at the end the following:

17           “(j)(1) For the purpose of this subsection—

18                   “(A) the term ‘eligible rollover distribution’ has  
19                   the meaning given such term by section 402(c)(3) of  
20                   the Internal Revenue Code of 1986; and

21                   “(B) the term ‘eligible retirement plan’ has the  
22                   meaning given such term by section 402(c)(7) of the  
23                   Internal Revenue Code of 1986.

24           “(2) An employee or Member may contribute to the  
25           Thrift Savings Fund an eligible rollover distribution from

1 an eligible retirement plan. A contribution made under  
2 this subsection shall be made by means of a direct rollover  
3 from an eligible retirement plan in a manner that is simi-  
4 lar to a direct rollover under section 401(a)(31) of the In-  
5 ternal Revenue Code of 1986. In the case of an eligible  
6 rollover distribution, the maximum amount transferred to  
7 the Thrift Savings Fund shall not exceed the amount  
8 which would otherwise have been included in the employ-  
9 ee's or Member's gross income for Federal income tax pur-  
10 poses.

11 “(3) The Executive Director shall prescribe regula-  
12 tions to carry out this subsection.”.

13 **SEC. 209. IMMEDIATE PARTICIPATION IN THE THRIFT SAV-**  
14 **INGS PLAN.**

15 (a) **ELIMINATION OF CERTAIN WAITING PERIODS**  
16 **FOR PURPOSES OF EMPLOYEE CONTRIBUTIONS.**—Para-  
17 graph (4) of section 8432(b) of title 5, United States  
18 Code, is amended to read as follows:

19 “(4) The Executive Director shall prescribe such reg-  
20 ulations as may be necessary to carry out the following:

21 “(A) Notwithstanding subparagraph (A) of  
22 paragraph (2), an employee or Member described in  
23 such subparagraph shall be afforded a reasonable  
24 opportunity to first make an election under this sub-  
25 section beginning on the date of commencing service



1 or, if that is not administratively feasible, beginning  
2 on the earliest date thereafter that such an election  
3 becomes administratively feasible, as determined by  
4 the Executive Director.

5 “(B) An employee or Member described in sub-  
6 paragraph (B) of paragraph (2) shall be afforded a  
7 reasonable opportunity to first make an election  
8 under this subsection (based on the appointment or  
9 election described in such subparagraph) beginning  
10 on the date of commencing service pursuant to such  
11 appointment or election or, if that is not administra-  
12 tively feasible, beginning on the earliest date there-  
13 after that such an election becomes administratively  
14 feasible, as determined by the Executive Director.

15 “(C) Notwithstanding the preceding provisions  
16 of this paragraph, contributions under paragraphs  
17 (1) and (2) of subsection (c) shall not be payable  
18 with respect to any pay period before the earliest  
19 pay period for which such contributions would other-  
20 wise be allowable under this subsection if this para-  
21 graph had not been enacted.

22 “(D) Sections 8351(a)(2), 8440a(a)(2),  
23 8440b(a)(2), 8440c(a)(2), and 8440d(a)(2) shall be  
24 applied in a manner consistent with the purposes of

1       subparagraphs (A) and (B), to the extent those sub-  
2       paragraphs can be applied with respect thereto.

3           “(E) Nothing in this paragraph shall affect  
4       paragraph (3).”.

5       (b) TECHNICAL AND CONFORMING AMENDMENTS.—

6       (1) Section 8432(a) of title 5, United States Code, is  
7       amended—

8           (A) in the first sentence by striking “(b)(1)”  
9       and inserting “(b)”; and

10          (B) by amending the second sentence to read as  
11       follows: “Contributions under this subsection pursu-  
12       ant to such an election shall, with respect to each  
13       pay period for which such election remains in effect,  
14       be made in accordance with a program of regular  
15       contributions provided in regulations prescribed by  
16       the Executive Director.”.

17       (2) Section 8432(b)(1)(B) of title 5, United States  
18       Code, is amended by inserting “(or any election allowable  
19       by virtue of paragraph (4))” after “subparagraph (A)”.

20       (3) Section 8432(b)(3) of title 5, United States Code,  
21       is amended by striking “Notwithstanding paragraph  
22       (2)(A), an” and inserting “An”.

23       (4) Section 8432(i)(1)(B)(ii) of title 5, United States  
24       Code, is amended by striking “either elected to terminate

1 individual contributions to the Thrift Savings Fund within  
2 2 months before commencing military service or”.

3 (5) Section 8439(a)(1) of title 5, United States Code,  
4 is amended by inserting “who makes contributions or”  
5 after “for each individual” and by striking “section  
6 8432(c)(1)” and inserting “section 8432”.

7 (6) Section 8439(c)(2) of title 5, United States Code,  
8 is amended by adding at the end the following: “Nothing  
9 in this paragraph shall be considered to limit the dissemi-  
10 nation of information only to the times required under the  
11 preceding sentence.”.

12 (7) Sections 8440a(a)(2) and 8440d(a)(2) of title 5,  
13 United States Code, are amended by striking all after  
14 “subject to” and inserting “this chapter.”.

15 (c) EFFECTIVE DATE.—This section shall take effect  
16 6 months after the date of enactment of this Act or such  
17 earlier date as the Executive Director (within the meaning  
18 of section 8401(13) of title 5, United States Code) may  
19 by regulation prescribe.

20 **TITLE III—INCREASING PORT-**  
21 **ABILITY FOR PARTICIPANTS**

22 **SEC. 301. ROLLOVERS ALLOWED AMONG VARIOUS TYPES**  
23 **OF PLANS.**

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

1 (1) ROLLOVERS FROM SECTION 457 PLANS.—

2 (A) IN GENERAL.—Section 457(e) (relat-  
3 ing to other definitions and special rules) is  
4 amended by adding at the end the following:

5 “(16) ROLLOVER AMOUNTS.—

6 “(A) GENERAL RULE.—In the case of an  
7 eligible deferred compensation plan, if—

8 “(i) any portion of the balance to the  
9 credit of an employee in such plan is paid  
10 to such employee in an eligible rollover dis-  
11 tribution (within the meaning of section  
12 402(e)(4) (other than section  
13 402(e)(4)(C)),

14 “(ii) the employee transfers any por-  
15 tion of the property such employee receives  
16 in such distribution to an eligible retire-  
17 ment plan described in section  
18 402(e)(8)(B), and

19 “(iii) in the case of a distribution of  
20 property other than money, the amount so  
21 transferred consists of the property distrib-  
22 uted,

23 then such distribution (to the extent so trans-  
24 ferred) shall not be includible in gross income  
25 for the taxable year in which paid.

1           “(B) CERTAIN RULES MADE APPLICA-  
2           BLE.—The rules of paragraphs (2) through (7)  
3           (other than paragraph (4)(C)) and (9) of sec-  
4           tion 402(c) and section 402(f) shall apply for  
5           purposes of subparagraph (A).

6           “(C) REPORTING.—Rollovers under this  
7           paragraph shall be reported to the Secretary in  
8           the same manner as rollovers from qualified re-  
9           tirement plans (as defined in section  
10          4974(c)).”.

11          (B) DEFERRAL LIMIT DETERMINED WITH-  
12          OUT REGARD TO ROLLOVER AMOUNTS.—Section  
13          457(b)(2) (defining eligible deferred compensa-  
14          tion plan) is amended by inserting “(other than  
15          rollover amounts)” after “taxable year”.

16          (C) DIRECT ROLLOVER.—Paragraph (1) of  
17          section 457(d) is amended by striking “and” at  
18          the end of subparagraph (A), by striking the  
19          period at the end of subparagraph (B) and in-  
20          serting “, and”, and by inserting after subpara-  
21          graph (B) the following:

22                 “(C) the plan meets requirements similar  
23                 to the requirements of section 401(a)(31).

24          Any amount transferred in a direct trustee-to-trust-  
25          ee transfer in accordance with section 401(a)(31)

1 shall not be includible in gross income for the tax-  
2 able year of transfer.”.

3 (D) WITHHOLDING.—

4 (i) Paragraph (12) of section 3401(a)  
5 is amended by adding at the end the fol-  
6 lowing:

7 “(E) under or to an eligible deferred com-  
8 pensation plan which, at the time of such pay-  
9 ment, is a plan described in section 457(b);”.

10 (ii) Paragraph (5) of section 3405(e)  
11 is amended by adding at the end the fol-  
12 lowing: “Such term shall include an eligible  
13 deferred compensation plan described in  
14 section 457(b).”.

15 (iii) Paragraph (3) of section 3405(c)  
16 is amended to read as follows:

17 “(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For  
18 purposes of this subsection, the term ‘eligible roll-  
19 over distribution’ has the meaning given such term  
20 by section 402(f)(2)(A).”.

21 (iv) LIABILITY FOR WITHHOLDING.—

22 Subparagraph (B) of section 3405(d)(2) is  
23 amended by striking “or” at the end of  
24 clause (ii), by striking the period at the

1 end of clause (iii) and inserting “, or”, and  
2 by adding at the end the following:

3 ‘(iv) section 457(b).’.

4 (2) ROLLOVERS TO SECTION 457 PLANS.—

5 (A) Section 402(c)(8)(B) (defining eligible  
6 retirement plan) is amended by striking “and”  
7 at the end of clause (iii), by striking the period  
8 at the end of clause (iv) and inserting “, and”,  
9 and by adding at the end the following:

10 “(v) an eligible deferred compensation  
11 plan described in section 457(b) of an eli-  
12 gible employer described in section  
13 457(e)(1)(A).”.

14 (B) Paragraph (9) of section 402(c) is  
15 amended by striking “except that” and all that  
16 follows and inserting “except that only an ac-  
17 count or annuity described in clause (i) or (ii)  
18 of paragraph (8)(B) shall be treated as an eligi-  
19 ble retirement plan with respect to such dis-  
20 tribution.”.

21 (C) Subsection (t) of section 72 (relating  
22 to 10-percent additional tax on early distribu-  
23 tions from qualified retirement plans) is amend-  
24 ed by adding at the end the following new para-  
25 graph:

1           “(9) SPECIAL RULE FOR ROLLOVERS TO SEC-  
2           TION 457 PLANS.—For purposes of this subsection,  
3           a distribution from an eligible deferred compensation  
4           plan (as defined in section 457(b)) of an employer  
5           described in section 457(e)(1)(A) shall be treated as  
6           a distribution from a qualified retirement plan to the  
7           extent that such distribution is attributable to an  
8           amount transferred to an eligible deferred compensa-  
9           tion plan from a qualified retirement plan (as de-  
10          fined in section 4974(c)). For purposes of this sub-  
11          section, any such distribution shall be treated as if  
12          made from a qualified retirement plan described in  
13          section 4974(c)(1). This paragraph shall only apply  
14          to a transfer that is in excess of \$50,000 and that  
15          is permitted by reason of section 402(c)(8)(B)(v) or  
16          section 408(d)(3)(A)(ii).”.

17                   (D) Subsection (a) of section 457 (relating  
18                   to year of inclusion in gross income) is  
19                   amended—

20                           (i) by striking “or otherwise made  
21                           available”, and

22                           (ii) by adding at the end the follow-  
23                           ing: “To the extent provided in section  
24                           72(t)(9), section 72(t) shall apply to any



1 amount includible in gross income under  
2 this subsection.”.

3 (3) MINIMUM DISTRIBUTIONS.—Paragraph (2)  
4 of section 457(d) is amended to read as follows:

5 “(2) MINIMUM DISTRIBUTION REQUIRE-  
6 MENTS.—A plan meets the distribution requirements  
7 of this paragraph if the plan meets the requirements  
8 of section 401(a)(9).”.

9 (4) CONFORMING AMENDMENT.—Paragraph (9)  
10 of section 457(e) is amended to read as follows:

11 “(9) BENEFITS NOT TREATED AS FAILING TO  
12 MEET DISTRIBUTION REQUIREMENTS OF SUB-  
13 SECTION (d).—A plan shall not be treated as failing  
14 to meet the distribution requirements of subsection  
15 (d) by reason of a distribution of the total amount  
16 payable to a participant under the plan if—

17 “(A) such amount does not exceed the dol-  
18 lar limit under section 411(a)(11)(A), and

19 “(B) such amount may be distributed only  
20 if—

21 “(i) no amount has been deferred  
22 under the plan with respect to such partici-  
23 pant during the 2-year period ending on  
24 the date of the distribution, and

1                   “(ii) there has been no prior distribu-  
2                   tion under the plan to such participant to  
3                   which this paragraph applied.”.

4           (b) ALLOWANCE OF ROLLOVERS FROM AND TO  
5 403(b) PLANS.—

6           (1) ROLLOVERS FROM SECTION 403(b)  
7 PLANS.—Section 403(b)(8)(A)(ii) (relating to roll-  
8 over amounts) is amended by striking “such dis-  
9 tribution” and all that follows and inserting “such  
10 distribution to an eligible retirement plan described  
11 in section 402(c)(8)(B), and”.

12           (2) ROLLOVERS TO SECTION 403(b) PLANS.—  
13 Section 402(c)(8)(B) (defining eligible retirement  
14 plan), as amended by subsection (a), is amended by  
15 striking “and” at the end of clause (iv), by striking  
16 the period at the end of clause (v) and inserting  
17 “, and”, and by adding at the end the following:

18                   “(vi) an annuity contract described in  
19                   section 403(b).”

20           (3) CONFORMING AMENDMENT.—Subparagraph  
21 (B) of section 403(b)(8) is amended by striking  
22 “Rules similar to the” and inserting “The”.

23           (c) EXPANDED EXPLANATION TO RECIPIENTS OF  
24 ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section  
25 402(f) (relating to written explanation to recipients of dis-

1 tributions eligible for rollover treatment) is amended by  
2 striking “and” at the end of subparagraph (C), by striking  
3 the period at the end of subparagraph (D) and inserting  
4 “, and”, and by adding at the end the following new sub-  
5 paragraph:

6           “(E) of the provisions under which dis-  
7 tributions from the eligible retirement plan re-  
8 ceiving the distribution may be subject to re-  
9 strictions and tax consequences which are dif-  
10 ferent from those applicable to distributions  
11 from the plan making such distribution.”.

12 (d) CONFORMING AMENDMENTS.—

13           (1) Section 72(o)(4) is amended by striking  
14 “and 408(d)(3)” and inserting “403(b)(8),  
15 408(d)(3), and 457(e)(16)”.

16           (2) Section 219(d)(2) is amended by striking  
17 “or 408(d)(3)” and inserting “408(d)(3), or  
18 457(e)(16)”.

19           (3) Section 401(a)(31)(B) is amended by strik-  
20 ing “and 403(a)(4)” and inserting “, 403(a)(4),  
21 403(b)(8), and 457(e)(16)”.

22           (4) Subparagraph (A) of section 402(f)(2) is  
23 amended by striking “or paragraph (4) of section  
24 403(a)” and inserting “, paragraph (4) of section

1 403(a), subparagraph (A) of section 403(b)(8), or  
2 subparagraph (A) of section 457(e)(16)”.

3 (5) Paragraph (1) of section 402(f) is amended  
4 by striking “from an eligible retirement plan”.

5 (6) Subparagraphs (A) and (B) of section  
6 402(f)(1) are amended by striking “another eligible  
7 retirement plan” and inserting “an eligible retire-  
8 ment plan”.

9 (7) Subparagraph (B) of section 403(b)(8) is  
10 amended by striking “shall apply for purposes of  
11 subparagraph (A)” and inserting “and section  
12 402(f) shall apply for purposes of subparagraph (A),  
13 except that section 402(f) shall be applied to the  
14 payor in lieu of the plan administrator”.

15 (8) Subparagraph (B) of section 403(b)(8) is  
16 amended by inserting “and (9)” after “through  
17 (7)”.

18 (9) Section 408(a)(1) is amended by striking  
19 “or 403(b)(8)” and inserting “, 403(b)(8), or  
20 457(e)(16)”.

21 (10) Subparagraphs (A) and (B) of section  
22 415(b)(2) are each amended by striking “and  
23 408(d)(3)” and inserting “403(b)(8), 408(d)(3), and  
24 457(e)(16)”.

1           (11) Section 415(c)(2) is amended by striking  
2           “and 408(d)(3)” and inserting “408(d)(3), and  
3           457(e)(16)”.

4           (12) Section 4973(b)(1)(A) is amended by  
5           striking “or 408(d)(3)” and inserting “408(d)(3), or  
6           457(e)(16)”.

7           (e) EFFECTIVE DATE; SPECIAL RULE.—

8           (1) EFFECTIVE DATE.—The amendments made  
9           by this section shall apply to distributions after De-  
10          cember 31, 1999.

11          (2) SPECIAL RULE.—Notwithstanding any other  
12          provision of law, subsections (h)(3) and (h)(5) of  
13          section 1122 of the Tax Reform Act of 1986 shall  
14          not apply to any distribution from an eligible retire-  
15          ment plan (as defined in clause (iii) or (iv) of section  
16          402(c)(8)(B) of the Internal Revenue Code of 1986)  
17          on behalf of an individual if there was a rollover to  
18          such plan on behalf of such individual which is per-  
19          mitted solely by reason of any amendment made by  
20          this section.

21   **SEC. 302. ROLLOVERS OF IRAS INTO WORKPLACE RETIRE-**  
22                                   **MENT PLANS.**

23          (a) IN GENERAL.—Subparagraph (A) of section  
24          408(d)(3) (relating to rollover amounts) is amended by

1 adding “or” at the end of clause (i), by striking clauses  
2 (ii) and (iii), and by adding at the end the following:

3 “(ii) the entire amount received (in-  
4 cluding money and any other property) is  
5 paid into an eligible retirement plan for  
6 the benefit of such individual not later  
7 than the 60th day after the date on which  
8 he receives the payment or distribution.

9 For purposes of clause (ii), the term ‘eligible re-  
10 tirement plan’ has the meaning given such term  
11 by clauses (iii), (iv), (v), and (vi) of section  
12 402(c)(8)(B).”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Paragraph (1) of section 403(b) is amended  
15 by striking “section 408(d)(3)(A)(iii)” and inserting  
16 “section 408(d)(3)(A)(ii)”.

17 (2) Clause (i) of section 408(d)(3)(D) is amend-  
18 ed by striking “(i), (ii), or (iii)” and inserting “(i)  
19 or (ii)”.

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

22 “(G) SIMPLE RETIREMENT ACCOUNTS.—In  
23 the case of any payment or distribution out of  
24 a simple retirement account (as defined in sub-  
25 section (p)) to which section 72(t)(6) applies,

1           this paragraph shall not apply unless such pay-  
2           ment or distribution is paid into another simple  
3           retirement account.”.

4           (c) EFFECTIVE DATE; SPECIAL RULE.—

5           (1) EFFECTIVE DATE.—The amendments made  
6           by this section shall apply to distributions after De-  
7           cember 31, 1999.

8           (2) SPECIAL RULE.—Notwithstanding any other  
9           provision of law, subsections (h)(3) and (h)(5) of  
10          section 1122 of the Tax Reform Act of 1986 shall  
11          not apply to any distribution from an eligible retire-  
12          ment plan (as defined in clause (iii) or (iv) of section  
13          402(c)(8)(B) of the Internal Revenue Code of 1986)  
14          on behalf of an individual if there was a rollover to  
15          such plan on behalf of such individual which is per-  
16          mitted solely by reason of the amendments made by  
17          this section.

18   **SEC. 303. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.**

19          (a) IN GENERAL.—

20               (1) Subsection (c) of section 402 (relating to  
21               rules applicable to rollovers from exempt trusts) (as  
22               amended by section 2) is amended by striking para-  
23               graph (2) and redesignating paragraphs (3) through  
24               (10) as paragraphs (2) through (9), respectively.

1           (2) Paragraph (31) of section 401(a) (relating  
2 to optional direct transfer of eligible rollover dis-  
3 tributions) is amended by striking subparagraph (B)  
4 and redesignating subparagraphs (C) and (D) as  
5 subparagraphs (B) and (C), respectively.

6           (3) Subparagraph (B) of section 408(d)(3) (re-  
7 lating to rollover contributions) is amended by strik-  
8 ing “which was not includible in his gross income  
9 because of the application of this paragraph” and in-  
10 sserting “to which this paragraph applied”.

11           (4) Paragraph (7)(B) of section 402(c) (as re-  
12 designating by subsection (a)(1) and as amended by  
13 section 301) is amended—

14           (A) by striking “The term” and inserting  
15 “Except as provided in this subparagraph, the  
16 term”, and

17           (B) by adding at the end the following:  
18 “Arrangements described in clauses (iii), (iv)  
19 (v), and (vi) shall not be treated as eligible re-  
20 tirement plans for purposes of receiving a roll-  
21 over contribution of an eligible rollover distribu-  
22 tion to the extent that such eligible rollover dis-  
23 tribution is not includible in gross income (de-  
24 termined without regard to paragraph (1)).”.



1           (5) Paragraph (2) of section 408(d) is  
2 amended—

3           (A) by striking “For purposes” and insert-  
4 ing the following:

5           “(A) IN GENERAL.—Except as provided in  
6 this paragraph, for purposes”,

7           (B) by striking “(A) all” and inserting “(i)  
8 all”;

9           (C) by striking “(B) all” and inserting  
10 “(ii) all”;

11           (D) by striking “(C) the” and inserting  
12 “(iii) the”,

13           (E) by striking “subparagraph (C)” and  
14 inserting “clause (iii)”, and

15           (F) by inserting at the end the following:

16           “(B) APPLICATION OF SECTION 72.—For  
17 purposes of applying section 72, if—

18           “(i) a distribution is made from an in-  
19 dividual retirement plan, and

20           “(ii) a rollover contribution described  
21 in paragraph (3) is made to an eligible re-  
22 tirement plan described in section  
23 402(e)(7)(B)(iii), (iv), (v), or (vi) with re-  
24 spect to all or part of such distribution,

1 the includible amount in the individual’s indi-  
2 vidual retirement plans shall be reduced by the  
3 amount described in subparagraph (C). As of  
4 the close of the calendar year in which the tax-  
5 able year begins, the reduction of all amounts  
6 described in subparagraph (C)(i) shall be ap-  
7 plied prior to the computations described in  
8 subparagraph (A)(iii). The amount of any dis-  
9 tribution with respect to which there is a roll-  
10 over contribution described in clause (ii) shall  
11 not be treated as a distribution for purposes of  
12 subparagraph (A).

13 “(C) AMOUNT DESCRIBED.—The amount  
14 described in this subparagraph is the sum of—

15 “(i) the amount of the rollover con-  
16 tribution described in subparagraph  
17 (B)(ii), and

18 “(ii) in the case of any portion of the  
19 distribution with respect to which there is  
20 not a rollover contribution described in  
21 paragraph (3), the amount of such portion  
22 that is included in gross income under sec-  
23 tion 72.

24 “(D) INCLUDIBLE AMOUNT.—For purposes  
25 of this paragraph, the term ‘includible amount’

1           shall mean the amount that is not investment  
2           in the contract (as defined in section 72).”.

3           (6) Subparagraph (C) of section 402(c)(5) (as  
4           redesignated by subsection (a)(1)) is amended by in-  
5           serting after “other than money” the following: “or  
6           where the amount of the distribution exceeds the  
7           amount of the rollover contribution”.

8           (b) HARDSHIP EXCEPTION TO 60-DAY RULE.—

9           (1) Paragraph (2) of section 402(c) (as so re-  
10          designated) is amended to read as follows:

11          “(2) TRANSFER MUST BE MADE WITHIN 60  
12          DAYS OF RECEIPT.—

13                 “(A) IN GENERAL.—Except as provided in  
14                 subparagraph (B), paragraph (1) shall not  
15                 apply to any transfer of a distribution made  
16                 after the 60th day following the day on which  
17                 the distributee received the property distrib-  
18                 uted.

19                 “(B) HARDSHIP EXCEPTION.—The Sec-  
20                 retary may waive the 60-day requirement under  
21                 subparagraph (A) where the failure to waive  
22                 such requirement would be against equity or  
23                 good conscience, including casualty, disaster, or  
24                 other events beyond the reasonable control of  
25                 the individual subject to such requirement.”.

1           (2) Paragraph (3) of section 408(d) (relating to  
2           rollover contributions) is amended by adding at the  
3           end the following new subparagraph:

4                     “(H) WAIVER OF 60-DAY REQUIREMENT.—

5           The Secretary may waive the 60-day require-  
6           ment under subparagraphs (A) and (D) where  
7           the failure to waive such requirement would be  
8           against equity or good conscience, including  
9           casualty, disaster, or other events beyond the  
10          reasonable control of the individual subject to  
11          such requirement.”.

12          (c) CONFORMING AMENDMENTS.—

13           (1) Paragraph (4) of section 402(c) (as redesign-  
14           nated by subsection (a)(1)) is amended by striking  
15           “(8)(B)” and inserting “(7)(B)”.

16           (2) Subparagraph (B) of section 403(a)(4) is  
17           amended by striking “(2) through (7)” and inserting  
18           “(2) through (6)”.

19           (3) Section 403(b)(8)(A)(ii) (as amended by  
20           section 301) is amended by striking “section  
21           402(c)(8)(B)” and inserting “section 402(c)(7)(B)”.

22           (4) Subparagraph (B) of section 403(b)(8) (as  
23           amended by section 301) is amended by striking  
24           “(2) through (7) and (9) of section 402(c) (includ-  
25           ing paragraph (4)(C) thereof)” and inserting “(2)

1 through (6) and (8) of section 402(c) (including  
2 paragraph (3)(C) thereof”).

3 (5) Subparagraph (A) of section 408(d)(3) (as  
4 amended by section 302) is amended by striking  
5 “402(c)(8)” and inserting “402(c)(7)”.

6 (6) Paragraph (16) of section 457(e) (as added  
7 by section 301) is amended—

8 (A) in subparagraph (A)(i) by striking  
9 “402(c)(4) (other than section 402(c)(4)(C))”  
10 and inserting “section 402(c)(3) (other than  
11 section 402(c)(3)(C))”,

12 (B) in subparagraph (A)(ii) by striking  
13 “402(c)(8)(B)” and inserting “402(c)(7)(B)”,  
14 and

15 (C) in subparagraph (B) by striking “para-  
16 graphs (2) through (7) (other than paragraph  
17 (4)(C)) and (9) of section 402(c)” and inserting  
18 “paragraphs (2) through (6) (other than para-  
19 graph (3)(C)) and (8) of section 402(c)”.

20 (d) EFFECTIVE DATE.—

21 (1) IN GENERAL.—Except as provided by para-  
22 graph (2), the amendments made by this section  
23 shall apply to distributions made after December 31,  
24 1999.

1           (2) **HARDSHIP EXCEPTION.**—The amendments  
2           made by subsection (b) shall apply to 60-day periods  
3           ending after the date of the enactment of this Act.

4 **SEC. 304. TREATMENT OF FORMS OF DISTRIBUTION.**

5           (a) **IN GENERAL.**—

6           (1) **PLAN TRANSFERS.**—Paragraph (6) of sec-  
7           tion 411(d) (relating to accrued benefit not to be de-  
8           creased by amendment) is amended by adding at the  
9           end the following:

10                   “(D) **PLAN TRANSFERS.**—

11                           “(i) A defined contribution plan (in  
12                           this subparagraph referred to as the  
13                           ‘transferee plan’) shall not be treated as  
14                           failing to meet the requirements of this  
15                           subsection merely because the transferee  
16                           plan does not provide some or all of the  
17                           forms of distribution previously available  
18                           under another defined contribution plan  
19                           (in this paragraph referred to as the  
20                           ‘transferor plan’) to the extent that—

21                                   “(I) the forms of distribution  
22                                   previously available under the trans-  
23                                   feror plan applied to the account of a  
24                                   participant or beneficiary under the  
25                                   transferor plan that was transferred

1 from the transferor plan to the trans-  
2 feree plan pursuant to a direct trans-  
3 fer rather than pursuant to a distribu-  
4 tion from the transferor plan;

5 “(II) the terms of both the trans-  
6 feror plan and the transferee plan au-  
7 thorize the transfer described in sub-  
8 clause (I);

9 “(III) the transfer described in  
10 subclause (I) was made pursuant to a  
11 voluntary election by the participant  
12 or beneficiary whose account was  
13 transferred to the transferee plan;

14 “(IV) the election described in  
15 subclause (III) was made after the  
16 participant or beneficiary received a  
17 notice describing the consequences of  
18 making the election;

19 “(V) if the transferor plan pro-  
20 vides for an annuity as the normal  
21 form of distribution under the plan in  
22 accordance with section 417, the  
23 transfer is made with the consent of  
24 the participant’s spouse (if any), and  
25 such consent meets requirements simi-

1 lar to the requirements imposed by  
2 section 417(a)(2); and

3 “(VI) the transferee plan allows  
4 the participant or beneficiary de-  
5 scribed in subclause (III) to receive  
6 any distribution to which the partici-  
7 pant or beneficiary is entitled under  
8 the transferee plan in the form of a  
9 single sum distribution.

10 “(ii) Clause (i) shall apply to plan  
11 mergers and other transactions having the  
12 effect of a direct transfer, including con-  
13 solidations of benefits attributable to dif-  
14 ferent employers within a multiple em-  
15 ployer plan.

16 “(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regula-  
17 tions, a defined contribution plan shall not be  
18 treated as failing to meet the requirements of  
19 this section merely because of the elimination of  
20 a form of distribution previously available there-  
21 under. This subparagraph shall not apply to the  
22 elimination of a form of distribution with re-  
23 spect to any participant unless—  
24



1           “(i) a single sum payment is available  
2           to such participant at the same time or  
3           times as the form of distribution being  
4           eliminated; and

5           “(ii) such single sum payment is  
6           based on the same or greater portion of  
7           the participant’s account as the form of  
8           distribution being eliminated.”.

9           (2) REGULATIONS.—The last sentence of para-  
10          graph (6)(B) of section 411(d) (relating to accrued  
11          benefit not to be decreased by amendment) is  
12          amended to read as follows: “The Secretary may by  
13          regulations provide that this subparagraph shall not  
14          apply to any plan amendment that does not ad-  
15          versely affect the rights of participants in a material  
16          manner.

17          (3) SECRETARY DIRECTED.—Not later than  
18          December 31, 2001, the Secretary of the Treasury  
19          is directed to issue final regulations under section  
20          411(d)(6) of the Internal Revenue Code of 1986.  
21          Such regulations shall apply to plan years beginning  
22          after December 31, 2001 or such earlier date as is  
23          specified by the Secretary of the Treasury. Under  
24          such regulations, section 411(d)(6) of such Code  
25          shall not apply to plan amendments that do not ad-

1       versely affect the rights of participants in a material  
2       manner. In determining whether a plan amendment  
3       has such a materially adverse effect on a participant,  
4       the factors taken into account shall include—

5               (A) all of the participant’s early retirement  
6               benefits, retirement-type subsidies, and optional  
7               forms of benefit that are reduced or eliminated  
8               by the plan amendment,

9               (B) the extent to which early retirement  
10              benefits, retirement-type subsidies, and optional  
11              forms of benefit in effect with respect to a par-  
12              ticipant after the effective date of the plan  
13              amendment provide rights that are comparable  
14              to the rights that are reduced or eliminated by  
15              the plan amendment,

16             (C) the number of years before the partici-  
17             pant attains normal retirement age under the  
18             plan (or early retirement age, as applicable),

19             (D) the size of the participant’s benefit  
20             that is affected by the plan amendment, in rela-  
21             tion to the amount of the participant’s com-  
22             pensation, and

23             (E) the number of years before the plan  
24             amendment is effective.

1 The regulations described in this paragraph are in-  
2 tended to permit the elimination or reduction of  
3 early retirement benefits, retirement-type subsidies,  
4 and optional forms of benefit that do not have a ma-  
5 terial value for a plan’s participants but create sig-  
6 nificant burdens and complexities for the plan and  
7 its participants.

8 (b) CONFORMING AMENDMENT.—(1) Subsection (g)  
9 of section 204 of the Employee Retirement Income Secu-  
10 rity Act of 1974 (29 U.S.C. 1054) is amended by adding  
11 at the end the following:

12 “(4)(A) A defined contribution plan (in this subpara-  
13 graph referred to as the ‘transferee plan’) shall not be  
14 treated as failing to meet the requirements of this sub-  
15 section merely because the transferee plan does not pro-  
16 vide some or all of the forms of distribution previously  
17 available under another defined contribution plan (in this  
18 paragraph referred to as the ‘transferor plan’) to the ex-  
19 tent that—

20 “(i) the forms of distribution previously avail-  
21 able under the transferor plan applied to the account  
22 of a participant or beneficiary under the transferor  
23 plan that was transferred from the transferor plan  
24 to the transferee plan pursuant to a direct transfer

1       rather than pursuant to a distribution from the  
2       transferor plan;

3               “(ii) the terms of both the transferor plan and  
4       the transferee plan authorize the transfer described  
5       in clause (i);

6               “(iii) the transfer described in clause (i) was  
7       made pursuant to a voluntary election by the partici-  
8       pant or beneficiary whose account was transferred to  
9       the transferee plan;

10              “(iv) the election described in clause (iii) was  
11       made after the participant or beneficiary received a  
12       notice describing the consequences of making the  
13       election;

14              “(v) if the transferor plan provides for an annu-  
15       ity as the normal form of distribution under the plan  
16       in accordance with section 205, the transfer is made  
17       with the consent of the participant’s spouse (if any),  
18       and such consent meets requirements similar to the  
19       requirements imposed by section 205(c)(2); and

20              “(vi) the transferee plan allows the participant  
21       or beneficiary described in clause (iii) to receive any  
22       distribution which the participant or beneficiary is  
23       entitled under transferee plan in the form of a single  
24       sum distribution.

1       “(B) Subparagraph (A) shall apply to plan mergers  
2 and other transactions having the effect of a direct trans-  
3 fer, including consolidations of benefits attributable to dif-  
4 ferent employers within a multiple employer plan.

5       “(5) Except to the extent provided in regulations, a  
6 defined contribution plan shall not be treated as failing  
7 to meet the requirements of this section merely because  
8 of the elimination of a form of distribution previously  
9 available thereunder. This paragraph shall not apply to  
10 the elimination of a form of distribution with respect to  
11 any participant unless—

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

15               “(B) such single sum payment is based on the  
16 same or greater portion of the participant’s account  
17 as the form of distribution being eliminated.”.

18       (2) Paragraph (2) of section 204(g) of the Employee  
19 Retirement Income Security Act of 1974 (29 U.S.C. 1054)  
20 is amended by striking the last sentence and inserting the  
21 following: “The Secretary of the Treasury may by regula-  
22 tions provide that this paragraph shall not apply to any  
23 plan amendment that does not adversely affect the rights  
24 of participants in a material manner.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to years beginning after December  
3 31, 1999.

4 **SEC. 305. RATIONALIZATION OF RESTRICTIONS ON DIS-**  
5 **TRIBUTIONS.**

6 (a) MODIFICATION OF SAME DESK EXCEPTION.—

7 (1) SECTION 401(k).—Section  
8 401(k)(2)(B)(i)(I) (relating to qualified cash or de-  
9 ferred arrangements) is amended by striking “sepa-  
10 ration from service” and inserting “severance from  
11 employment”.

12 (2) SECTION 403(b).—

13 (A) Paragraphs (7)(A)(ii) and (11)(A) of  
14 section 403(b) are each amended by striking  
15 “separates from service” and inserting “has a  
16 severance from employment”.

17 (B) The heading for paragraph (11) of  
18 section 403(b) is amended by striking “SEPARA-  
19 TION FROM SERVICE” and inserting “SEVER-  
20 ANCE FROM EMPLOYMENT”.

21 (3) SECTION 457.—Clause (ii) of section  
22 457(d)(1)(A) is amended by striking “is separated  
23 from service” and inserting “has a severance from  
24 employment”.

25 (b) BUSINESS SALE REQUIREMENTS REPEALED.—

1           (1) IN GENERAL.—Section 401(k)(2)(B)(i)(II)  
2           (relating to qualified cash or deferred arrangements)  
3           is amended by striking “an event” and inserting “a  
4           plan termination”.

5           (2) CONFORMING AMENDMENTS.—Section  
6           401(k)(10) is amended—

7                   (A) by striking subparagraph (A) and in-  
8                   serting the following:

9                           “(A) IN GENERAL.—A plan termination is  
10                           described in this paragraph if the termination  
11                           of the plan does not involve the establishment  
12                           or maintenance of another defined contribution  
13                           plan (other than an employee stock ownership  
14                           plan as defined in section 4975(e)(7)).”,

15                   (B) in subparagraph (B)—

16                           (i) by striking “An event” and insert-  
17                           ing “A termination”, and

18                           (ii) by striking “the event” and insert-  
19                           ing “the termination”,

20                   (C) by striking subparagraph (C), and

21                   (D) by striking “OR DISPOSITION OF AS-  
22                   SETS OR SUBSIDIARY” in the heading.

23           (c) EFFECTIVE DATE.—The amendments made by  
24           this section shall apply to distributions after December 31,  
25           1999.

1 **SEC. 306. PURCHASE OF SERVICE CREDIT IN GOVERN-**  
2 **MENTAL DEFINED BENEFIT PLANS.**

3 (a) 403(b) PLANS.—Subsection (b) of section 403 (as  
4 amended by section 501) is amended by adding at the end  
5 the following new paragraph:

6 “(14) TRUSTEE-TO-TRUSTEE TRANSFERS TO  
7 PURCHASE PERMISSIVE SERVICE CREDIT.—No  
8 amount shall be includible in gross income by reason  
9 of a direct trustee-to-trustee transfer to a defined  
10 benefit governmental plan (as defined in section  
11 414(d)) if such transfer is—

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

15 “(B) a repayment to which section 415  
16 does not apply by reason of subsection (k)(3)  
17 thereof.”.

18 (b) 457 PLANS.—

19 (1) Subsection (e) of section 457 (as amended  
20 by section 509) is amended by adding at the end the  
21 following new paragraph:

22 “(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO  
23 PURCHASE PERMISSIVE SERVICE CREDIT.—No  
24 amount shall be includible in gross income by reason  
25 of a direct trustee-to-trustee transfer to a defined



1 benefit governmental plan (as defined in section  
2 414(d)) if such transfer is—

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

6 “(B) a repayment to which section 415  
7 does not apply by reason of subsection (k)(3)  
8 thereof.”.

9 (2) Section 457(b)(2), as amended by sections  
10 101, 202, and 301, is amended by striking “(other  
11 than rollover amounts)” and inserting “(other than  
12 rollover amounts and amounts received in a transfer  
13 referred to in subsection (e)(16))”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to trustee-to-trustee transfers after  
16 December 31, 1999.

17 **SEC. 307. EMPLOYERS MAY DISREGARD ROLLOVERS FOR**  
18 **PURPOSES OF CASH-OUT AMOUNTS.**

19 (a) AMENDMENTS TO 1986 CODE.—

20 (1) Section 411(a)(11) (relating to restrictions  
21 on certain mandatory distributions) is amended by  
22 adding at the end the following:

23 “(D) SPECIAL RULE FOR ROLLOVER CON-  
24 TRIBUTIONS.—A plan shall not fail to meet the  
25 requirements of this paragraph if, under the

1 terms of the plan, the present value of the non-  
2 forfeitable accrued benefit is determined with-  
3 out regard to that portion of such benefit which  
4 is attributable to rollover contributions (and  
5 earnings allocable thereto). For purposes of this  
6 subparagraph, the term ‘rollover contributions’  
7 means any rollover contribution under sections  
8 402(c), 403(a)(4), 403(b)(8), clause (ii), (iii),  
9 or (iv) of 408(d)(3)(A), and 457(e)(16).”.

10 (2) Clause (i) of section 457(e)(9)(A) is amend-  
11 ed by striking “such amount” and inserting “the  
12 portion of such amount which is not attributable to  
13 rollover contributions (as defined in section  
14 411(a)(11)(D))”.

15 (b) AMENDMENT TO ERISA.—Section 203(e) of the  
16 Employee Retirement Income Security Act of 1974 (29  
17 U.S.C. 1053(e)) is amended by adding at the end the fol-  
18 lowing:

19 “(4) A plan shall not fail to meet the requirements  
20 of this subsection if, under the terms of the plan, the  
21 present value of the nonforfeitable accrued benefit is de-  
22 termined without regard to that portion of such benefit  
23 which is attributable to rollover contributions (and earn-  
24 ings allocable thereto). For purposes of this paragraph,  
25 the term ‘rollover contributions’ means any rollover con-

1 tribution under sections 402(c), 403(a)(4), 403(b)(8),  
 2 clause (ii), (iii), or (iv) of 408(d)(3)(A), and 457(e)(16)  
 3 of the Internal Revenue Code of 1986.”.

4 (c) EFFECTIVE DATE.—The amendments made by  
 5 this section shall apply to distributions after December 31,  
 6 1999.

7 **TITLE IV—STRENGTHENING**  
 8 **PENSION SECURITY AND EN-**  
 9 **FORCEMENT**

10 **SEC. 401. REPEAL OF 150 PERCENT OF CURRENT LIABILITY**  
 11 **FUNDING LIMIT.**

12 (a) IN GENERAL.—

13 (1) CODE AMENDMENT.—Section 412(c)(7) (re-  
 14 lating to full-funding limitation) is amended—

15 (A) by striking “the applicable percentage”  
 16 in subparagraph (A)(i)(I) and inserting “in the  
 17 case of plan years beginning before January 1,  
 18 2003, the applicable percentage”, and

19 (B) by amending subparagraph (F) to read  
 20 as follows:

21 “(F) APPLICABLE PERCENTAGE.—For  
 22 purposes of subparagraph (A)(i)(I), the applica-  
 23 ble percentage shall be determined in accord-  
 24 ance with the following table:

<b>“In the case of any plan year beginning in—</b>	<b>The applicable percentage is—</b>
2000 .....	160

2001 .....	165
2002 .....	170.”.

1           (2) ERISA AMENDMENT.—Section 302(c)(7) of  
 2 the Employee Retirement Income Security Act of  
 3 1974 (29 U.S.C. 1082(c)(7)) is amended—

4                   (A) by striking “the applicable percentage”  
 5 in subparagraph (A)(i)(I) and inserting “in the  
 6 case of plan years beginning before January 1,  
 7 2003, the applicable percentage”, and

8                   (B) by amending subparagraph (F) to read  
 9 as follows:

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

<b>“In the case of any plan year beginning in—</b>	<b>The applicable percentage is—</b>
2000 .....	160
2001 .....	165
2002 .....	170.”.

14           (3) EFFECTIVE DATES.—The amendments  
 15 made by this subsection shall apply to plan years be-  
 16 ginning after December 31, 1999.

17           (b) MAXIMUM CONTRIBUTION DEDUCTION RULES  
 18 MODIFIED AND APPLIED TO ALL DEFINED BENEFIT  
 19 PLANS.—

1           (1) IN GENERAL.—Section 404(a)(1)(D) (relat-  
2           ing to special rule in case of certain plans) is  
3           amended—

4                   (A) by striking “which has more than 100  
5                   participants for the plan year”,

6                   (B) by striking “unfunded current liability  
7                   determined under section 414(l)” and inserting  
8                   “unfunded termination liability (determined as  
9                   if the proposed termination date referred to in  
10                  section 4041(b)(2)(A)(i)(II) of the Employee  
11                  Retirement Income Security Act of 1974 were  
12                  the last day of the plan year)”,

13                  (C) by inserting after the first sentence the  
14                  following: “For purposes of this subparagraph,  
15                  in the case of a plan which has less than 100  
16                  participants for the plan year, termination li-  
17                  ability shall not include the liability attributable  
18                  to benefit increases for highly compensated em-  
19                  ployees (as defined in section 414(q)) brought  
20                  about by plan amendment within the last 2  
21                  years before the termination date.”, and

22                  (D) by striking “(other than a multiem-  
23                  ployer plan)”.

1           (2) CONFORMING AMENDMENT.—Paragraph (6)  
2           of section 4972(c) is amended by striking the sen-  
3           tence preceding the last sentence thereof.

4           (3) EFFECTIVE DATE.—The amendments made  
5           by this subsection shall apply to plan years begin-  
6           ning after the date of enactment of this Act.

7 **SEC. 402. MISSING PARTICIPANTS.**

8           (a) IN GENERAL.—Section 4050 of the Employee Re-  
9           tirement Income Security Act of 1974 (29 U.S.C. 1350)  
10          is amended by redesignating subsection (c) as subsection  
11          (e) and by inserting after subsection (b) the following:

12          “(c) MULTIEMPLOYER PLANS.—The corporation  
13          shall prescribe rules similar to the rules in subsection (a)  
14          for multiemployer plans covered by this title that termi-  
15          nate under section 4041A.

16          “(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

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

21                  “(2) INFORMATION TO THE CORPORATION.—To  
22                  the extent provided in regulations, the plan adminis-  
23                  trator of a plan described in paragraph (4) shall,  
24                  upon termination of the plan, provide the corpora-

1 tion information with respect to benefits of a miss-  
2 ing participant if the plan transfers such benefits—

3 “(A) to the corporation, or

4 “(B) to an entity other than the corpora-  
5 tion or a plan described in paragraph (4)(B)(ii).

6 “(3) PAYMENT BY THE CORPORATION.—If ben-  
7 efits of a missing participant were transferred to the  
8 corporation under paragraph (1), the corporation  
9 shall, upon location of the participant or beneficiary,  
10 pay to the participant or beneficiary the amount  
11 transferred (or the appropriate survivor benefit)  
12 either—

13 “(A) in a single sum (plus interest), or

14 “(B) in such other form as is specified in  
15 regulations of the corporation.

16 “(4) PLANS DESCRIBED.—A plan is described  
17 in this paragraph if—

18 “(A) the plan is a pension plan (within the  
19 meaning of section 3(2))—

20 “(i) to which the provisions of this  
21 section do not apply (without regard to  
22 this subsection), and

23 “(ii) which is not a plan described in  
24 paragraphs (2) through (11) of section  
25 4021(b), and

1           “(B) at the time the assets are to be dis-  
2           tributed upon termination, the plan—

3                   “(i) has missing participants, and

4                   “(ii) has not provided for the transfer  
5           of assets to pay the benefits of all missing  
6           participants to another pension plan (with-  
7           in the meaning of section 3(2)).

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

11          (b) CONFORMING AMENDMENTS.—

12               (1) Section 206(f) of the Employee Retirement  
13          Income Security Act of 1974 (29 U.S.C. 1056(f)) is  
14          amended—

15                   (A) by striking “title IV” and inserting  
16                   “section 4050”, and

17                   (B) by striking “the plan shall provide  
18                  that”.

19               (2) Section 401(a)(34) of such Act (relating to  
20          benefits of missing participants on plan termination)  
21          is amended by striking “title IV” and inserting “sec-  
22          tion 4050”.

23          (c) EFFECTIVE DATE.—The amendments made by  
24          this section shall apply to distributions made after final  
25          regulations implementing subsections (c) and (d) of sec-



1 tion 4050 of the Employee Retirement Income Security  
2 Act of 1974 (as added by subsection (a)), respectively, are  
3 prescribed.

4 **SEC. 403. PERIODIC PENSION BENEFITS STATEMENTS.**

5 (a) IN GENERAL.—Section 105(a) of the Employee  
6 Retirement Income Security Act of 1974 (29 U.S.C.  
7 1025(a)) is amended by striking “shall furnish to any plan  
8 participant or beneficiary who so requests in writing, a  
9 statement” and inserting “shall furnish to each plan par-  
10 ticipant at least once each year (in the case of a defined  
11 contribution plan) and upon written request of a plan par-  
12 ticipant or beneficiary (in the case of a defined benefit  
13 plan), a statement in written or electronic form”.

14 (b) REQUIRED PERIODIC STATEMENTS FOR PLANS  
15 WITH MORE THAN ONE UNAFFILIATED EMPLOYER.—  
16 Section 105(d) of the Employee Retirement Income Secu-  
17 rity Act of 1974 (29 U.S.C. 1025(d)) is repealed.

18 (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to plan years beginning after De-  
20 cember 31, 1999.

21 **SEC. 404. CIVIL PENALTIES FOR BREACH OF FIDUCIARY**  
22 **RESPONSIBILITY.**

23 (a) IMPOSITION AND AMOUNT OF PENALTY MADE  
24 DISCRETIONARY.—Section 502(l)(1) of the Employee Re-

1 Retirement Income Security Act of 1974 (29 U.S.C.  
2 1132(l)(1)) is amended—

3 (1) by striking “shall” and inserting “may”,  
4 and

5 (2) by striking “equal to” and inserting “not  
6 greater than”.

7 (b) APPLICABLE RECOVERY AMOUNT.—Section  
8 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended  
9 to read as follows:

10 “(2) For purposes of paragraph (1), the term ‘appli-  
11 cable recovery amount’ means any amount which is recov-  
12 ered from any fiduciary or other person (or from any other  
13 person on behalf of any such fiduciary or other person)  
14 with respect to a breach or violation described in para-  
15 graph (1) on or after the 30th day following receipt by  
16 such fiduciary or other person of written notice from the  
17 Secretary of the violation, whether paid voluntarily or by  
18 order of a court in a judicial proceeding instituted by the  
19 Secretary under subsection (a)(2) or (a)(5). The Secretary  
20 may, in the Secretary’s sole discretion, extend the 30-day  
21 period described in the preceding sentence.”.

22 (c) OTHER RULES.—Section 502(l) of the Employee  
23 Retirement Income Security Act of 1974 (29 U.S.C.  
24 1132(l)) is amended by adding at the end the following:

1       “(5) A person shall be jointly and severally liable for  
2 the penalty described in paragraph (1) to the same extent  
3 that such person is jointly and severally liable for the ap-  
4 plicable recovery amount on which the penalty is based.

5       “(6) No penalty shall be assessed under this sub-  
6 section unless the person against whom the penalty is as-  
7 sessed is given notice and opportunity for a hearing with  
8 respect to the violation and applicable recovery amount.”.

9       (d) EFFECTIVE DATES.—

10           (1) IN GENERAL.—The amendments made by  
11 this section shall apply to any breach of fiduciary re-  
12 sponsibility or other violation of part 4 of subtitle B  
13 of title I of the Employee Retirement Income Secu-  
14 rity Act of 1974 occurring on or after the date of  
15 enactment of this Act.

16           (2) TRANSITION RULE.—In applying the  
17 amendment made by subsection (b) (relating to ap-  
18 plicable recovery amount), a breach or other viola-  
19 tion occurring before the date of enactment of this  
20 Act which continues after the 180th day after such  
21 date (and which may have been discontinued at any  
22 time during its existence) shall be treated as having  
23 occurred after such date of enactment.

1 **SEC. 405. PENALTY TAX RELIEF FOR SOUND PENSION**  
2 **FUNDING.**

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

6 “(7) **DEFINED BENEFIT PLAN EXCEPTION.**—In  
7 determining the amount of nondeductible contribu-  
8 tions for any taxable year, an employer may elect for  
9 such year not to take into account any contributions  
10 to a defined benefit plan except to the extent that  
11 such contributions exceed the full-funding limitation  
12 (as defined in section 412(c)(7), determined without  
13 regard to subparagraph (A)(i)(I) thereof). For pur-  
14 poses of this paragraph, the deductible limits under  
15 section 404(a)(7) shall first be applied to amounts  
16 contributed to defined contribution plans and then  
17 to amounts described in this paragraph. If an em-  
18 ployer makes an election under this paragraph for a  
19 taxable year, paragraph (6) shall not apply to such  
20 employer for such taxable year.”.

21 (b) **EFFECTIVE DATE.**—The amendments made by  
22 this section shall apply to years beginning after December  
23 31, 1999.

1 **SEC. 406. PROTECTION OF INVESTMENT OF EMPLOYEE**  
2 **CONTRIBUTIONS TO 401(K) PLANS.**

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

5 “(b) **EFFECTIVE DATE.**—

6 “(1) **IN GENERAL.**—Except as provided in para-  
7 graph (2), the amendments made by this section  
8 shall apply to elective deferrals for plan years begin-  
9 ning after December 31, 1998.

10 “(2) **NONAPPLICATION TO PREVIOUSLY AC-**  
11 **QUIRED PROPERTY.**—The amendments made by this  
12 section shall not apply to any elective deferral if  
13 such deferral is used for the payment of indebted-  
14 ness incurred before January 1, 1999 (or any refi-  
15 nancing thereof) on the acquisition by the plan of  
16 employer securities or employer real property—

17 “(A) before January 1, 1999, or

18 “(B) after such date pursuant to a written  
19 contract which was binding on such date and at  
20 all times thereafter on such plan.”.

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

1 **SEC. 407. NOTICE OF SIGNIFICANT REDUCTION IN BENEFIT**  
2 **ACCRUALS.**

3 (a) IN GENERAL.—Subsection (h) of section 204 of  
4 the Employee Retirement Income Security Act of 1974  
5 (29 U.S.C. 1054) is amended to read as follows:

6 “(h) NOTICE OF SIGNIFICANT REDUCTION IN BENE-  
7 FIT ACCRUALS.—

8 “(1) If a plan described in paragraph (4) is  
9 amended to provide for a significant reduction in the  
10 rate of future benefit accrual, the plan administrator  
11 shall provide a notice to—

12 “(A) each affected participant in the plan,

13 “(B) each affected beneficiary who is an  
14 alternate payee (within the meaning of section  
15 206(d)(3)(K)) under an applicable qualified do-  
16 mestic relations order (within the meaning of  
17 section 206(d)(3)(B)(i)), and

18 “(C) each employee organization represent-  
19 ing affected participants in the plan, except  
20 that such notice shall instead be provided to a  
21 person designated to receive such notice on be-  
22 half of any person referred to in paragraph (A),  
23 (B), or (C). For purposes of this paragraph, an  
24 affected participant or beneficiary is a partici-  
25 pant or beneficiary to whom the significant re-

1           duction described in this paragraph is reason-  
2           ably expected to apply.

3           “(2) The notice required by paragraph (1)  
4 shall—

5                   “(A) include the plan amendment, or a  
6                   summary of such plan amendment, and its ef-  
7                   fective date, and

8                   “(B) provide a notification and description  
9                   of the reduction described in paragraph (1).

10          A notification and description shall not fail to satisfy  
11          paragraph (2)(B) by reason of a failure to provide  
12          the specific amount of the reduction with respect to  
13          any participant or beneficiary.

14               “(3) The notice required by paragraph (1) shall  
15          be provided no less than 30 days prior to the effec-  
16          tive date of the plan amendment.

17               “(4) A plan is described in this paragraph if  
18          such plan is—

19                   “(A) a defined benefit plan, or

20                   “(B) an individual account plan which is  
21                   subject to the funding standards of section 302.

22               “(5) In the case of a material failure to comply  
23          with requirements of this subsection with respect to  
24          more than a de minimis number of persons described  
25          in paragraph (1), the plan amendment to which the

1 failure relates shall not be effective with respect to  
2 such persons for any period prior to the expiration  
3 of 30 days following the date on which a notice is  
4 provided in accordance with this subsection. For  
5 purposes of this paragraph, the term ‘material fail-  
6 ure’ includes any failure that results in materially  
7 less information being provided to the persons de-  
8 scribed in paragraph (1).”.

9 (b) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to plan amendments that are  
11 adopted more than 120 days after the date of enactment  
12 of this Act.

## 13 **TITLE V—REDUCING** 14 **REGULATORY BURDENS**

### 15 **SEC. 501. INTERMEDIATE SANCTIONS FOR INADVERTENT** 16 **FAILURES.**

17 (a) IN GENERAL.—Section 401(a) (relating to quali-  
18 fied pension, profit-sharing, and stock bonus plans) is  
19 amended by inserting after paragraph (34) the following:

20 “(35) PROTECTION FROM DISQUALIFICATION  
21 UPON TIMELY CORRECTION OR PAYMENT OF FINE.—

22 A trust shall not fail to constitute a qualified trust  
23 under this section if the plan of which such trust is  
24 a part has made good faith efforts to meet the re-  
25 quirements of this section, has inadvertently failed



1 to satisfy 1 or more of such requirements, and  
2 either—

3 “(A) substantially corrects (to the extent  
4 possible) such failure before the date the plan  
5 becomes subject to a plan examination for the  
6 applicable year (as determined under rules pre-  
7 scribed by the Secretary), or

8 “(B) substantially corrects (to the extent  
9 possible) such failure on or after such date.

10 If the plan satisfies the requirement under subpara-  
11 graph (B), the Secretary may require the sponsoring  
12 employer to make a payment to the Secretary in an  
13 amount that does not exceed an amount that bears  
14 a reasonable relationship to the severity of the plan’s  
15 failure to satisfy the requirements of this section.”.

16 (b) APPLICATION TO CASH OR DEFERRED ARRANGE-  
17 MENTS.—Section 401(k) is amended by inserting after  
18 paragraph (12) the following new paragraph:

19 “(13) PROTECTION FROM DISQUALIFICATION.—  
20 Rules similar to the rules set forth in section  
21 401(a)(35) shall apply for purposes of determining  
22 whether a cash or deferred arrangement is a quali-  
23 fied cash or deferred arrangement.”.

1 (c) APPLICATION TO SECTION 403(b) ANNUITY CON-  
2 TRACTS.—Section 403(b) is amended by inserting after  
3 paragraph (12) the following:

4 “(13) CORRECTION OF ERRORS.—For purposes  
5 of determining whether the exclusion from gross in-  
6 come under paragraph (1) is applicable to an em-  
7 ployee for any taxable year, rules similar to the rules  
8 set forth in section 401(a)(35) shall apply to any an-  
9 nuity contract purchased under this subsection or  
10 any plan established to meet the requirements of  
11 this subsection.”.

12 (d) INCOME INCLUSION FOR DISQUALIFICATION NOT  
13 APPLICABLE TO NONHIGHLY COMPENSATED EMPLOY-  
14 EES.—Section 402(b) (relating to taxability of beneficiary  
15 of nonexempt trust) is amended by striking paragraph (4)  
16 and inserting the following:

17 “(4) INCOME INCLUSION FOR DISQUALIFICA-  
18 TION NOT APPLICABLE TO NONHIGHLY COM-  
19 PENSATED EMPLOYEES.—Paragraphs (1) and (2)  
20 shall not apply to employees who are not highly com-  
21 pensated employees.

22 “(5) FAILURE TO MEET REQUIREMENTS OF  
23 SECTION 401(a)(26) OR 410(b).—If 1 of the reasons  
24 a trust is not exempt from tax under section 501(a)  
25 is the failure of the plan to meet the requirements

1 of section 401(a)(26) or 410(b), then a highly com-  
2 pensated employee shall, in lieu of the amount deter-  
3 mined under paragraph (1) or (2), include in gross  
4 income for the taxable year with or within which the  
5 taxable year of the trust ends an amount equal to  
6 the vested accrued benefit of such employee (other  
7 than the employee's investment in the contract) as  
8 of the close of such taxable year of the trust.

9 “(6) HIGHLY COMPENSATED EMPLOYEE.—For  
10 purposes of this subsection, the term ‘highly com-  
11 pensated employee’ has the meaning given such term  
12 by section 414(q).”.

13 (e) EFFECTIVE DATE.—The amendments made by  
14 this section shall take effect on the date of enactment of  
15 this Act.

16 **SEC. 502. REPEAL OF THE MULTIPLE USE TEST.**

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

19 “(9) REGULATIONS.—The Secretary shall pre-  
20 scribe such regulations as may be necessary to carry  
21 out the purposes of this subsection and subsection  
22 (k), including regulations permitting appropriate ag-  
23 gregation of plans and contributions.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to years beginning after December  
3 31, 1999.

4 **SEC. 503. SAFETY VALVE FROM MECHANICAL RULES.**

5 (a) IN GENERAL.—The Secretary of the Treasury, by  
6 regulation, shall provide that the plan shall be deemed to  
7 satisfy the requirements of section 401(a)(4) of the Inter-  
8 nal Revenue Code of 1986 if such plan satisfies the facts  
9 and circumstances test under section 401(a)(4) of such  
10 Code, as in effect before January 1, 1994, if—

11 (1) the plan satisfies conditions prescribed by  
12 the Secretary to appropriately limit the availability  
13 of such test, and

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

16 Paragraph (2) shall only apply to the extent provided by  
17 the Secretary.

18 (b) EFFECTIVE DATES.—

19 (1) REGULATIONS.—The regulation required by  
20 subsection (a) shall apply to years beginning after  
21 December 31, 2000.

22 (2) CONDITIONS OF AVAILABILITY.—Any condi-  
23 tion of availability prescribed by the Secretary under  
24 subsection (a)(1) shall not apply before the first year

1 beginning not less than 120 days after the date on  
2 which such condition is prescribed.

3 **SEC. 504. REFORM OF THE LINE OF BUSINESS RULES.**

4 (a) **REPEAL OF GATEWAY TEST.**—Paragraph (5) of  
5 section 410(b) is amended to read as follows:

6 “(5) **LINE OF BUSINESS EXCEPTION.**—If, under  
7 section 414(r), an employer is treated as operating  
8 separate lines of business for a year, the employer  
9 may apply the requirements of this subsection for  
10 such year separately with respect to employees in  
11 each separate line of business.”.

12 (b) **REGULATIONS.**—The Secretary of the Treasury  
13 shall modify the regulations issued under section 414(r)  
14 of the Internal Revenue Code of 1986 (relating to special  
15 rules for separate line of business) to—

16 (1) simplify the administrability of the rules for  
17 both the Secretary and plans, and

18 (2) permit employees to be allocated among  
19 lines of business based on all the facts and cir-  
20 cumstances.

21 (c) **EFFECTIVE DATES.**—

22 (1) **REPEAL.**—The repeal made by subsection  
23 (a) shall apply to years beginning after December  
24 31, 2000.

1           (2) REGULATIONS.—The regulations modified  
2           under subsection (b) shall apply to years beginning  
3           after December 31, 2000.

4 **SEC. 505. COVERAGE TEST FLEXIBILITY.**

5           (a) IN GENERAL.—Paragraph (1) of section 410(b)  
6 is amended by adding at the end the following:

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

10                           “(i) satisfies subparagraph (B), as in  
11                           effect immediately before the enactment of  
12                           the Tax Reform Act of 1986,

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

16                           “(iii) satisfies conditions prescribed by  
17                           the Secretary by regulation that appro-  
18                           priately limit the availability of this sub-  
19                           paragraph.

20                   Clause (ii) shall apply only to the extent pro-  
21                   vided by the Secretary.”.

22           (b) EFFECTIVE DATES.—

23                   (1) IN GENERAL.—The amendment made by  
24                   subsection (a) shall apply to years beginning after  
25                   December 31, 2000.

1           (2) CONDITIONS OF AVAILABILITY.—Any condi-  
2           tion of availability prescribed by the Secretary under  
3           regulations prescribed by the Secretary under sec-  
4           tion 410(a)(1)(D) of the Internal Revenue Code of  
5           1986 shall not apply before the first year beginning  
6           not less than 120 days after the date on which such  
7           condition is prescribed.

8   **SEC. 506. INCREASE IN RETIREMENT PLAN CASH-OUT**  
9   **AMOUNT.**

10          (a) AMENDMENTS TO 1986 CODE.—Section  
11   411(a)(11) (relating to restrictions on certain mandatory  
12   distributions) is amended by adding at the end the follow-  
13   ing:

14                           “(D) INFLATION ADJUSTMENT.—In the  
15                           case of any plan year beginning in a calendar  
16                           year after 1999, the Secretary shall adjust an-  
17                           nually the \$5,000 amount contained in subpara-  
18                           graph (A) for increases in the cost of living at  
19                           the same time and in the same manner as ad-  
20                           justments under section 415(d); except that the  
21                           base period shall be the calendar quarter ending  
22                           September 30, 1999, and any increase which is  
23                           not a multiple of \$500 shall be rounded to the  
24                           next lowest multiple of \$500.”.

1 (b) AMENDMENTS TO ERISA.—Section 203(e) of the  
2 Employee Retirement Income Security Act of 1974 (29  
3 U.S.C. 1053(e)) is amended by adding at the end the fol-  
4 lowing:

5 “(4) INFLATION ADJUSTMENT.—In the case of any  
6 plan year beginning in a calendar year after 1999, the  
7 Secretary shall adjust annually the \$5,000 amount con-  
8 tained in paragraph (1) for increases in the cost of living  
9 at the same time and in the same manner as adjustments  
10 under section 415(d) of the Internal Revenue Code of  
11 1986; except that the base period shall be the calendar  
12 quarter ending September 30, 1999, and any increase  
13 which is not a multiple of \$500 shall be rounded to the  
14 next lowest multiple of \$500.”.

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to plan years beginning on or after  
17 the date of enactment of this Act.

18 **SEC. 507. MODIFICATION OF TIMING OF PLAN VALUATIONS.**

19 (a) IN GENERAL.—Section 412(c)(9) (relating to an-  
20 nual valuation) is amended—

21 (1) by striking “For purposes” and inserting  
22 the following:

23 “(A) IN GENERAL.—For purposes”, and

24 (2) by adding at the end the following:



1           “(B) ELECTION TO USE PRIOR YEAR  
2 VALUATION.—

3           “(i) IN GENERAL.—If, for any plan  
4 year—

5                   “(I) an election is in effect under  
6 this subparagraph with respect to a  
7 plan, and

8                   “(II) the assets of the plan are  
9 not less than 125 percent of the  
10 plan’s current liability (as defined in  
11 paragraph (7)(B)), determined as of  
12 the valuation date for the preceding  
13 plan year, then this section shall be  
14 applied using the information avail-  
15 able as of such valuation date.

16           “(ii) ADJUSTMENTS.—Information  
17 under clause (i) shall, in accordance with  
18 regulations, be actuarially adjusted to re-  
19 flect significant differences in participants.

20           “(iii) ELECTION.—An election under  
21 this subparagraph, once made, shall be ir-  
22 revocable without the consent of the Sec-  
23 retary.”.

1 (b) AMENDMENTS TO ERISA.—Paragraph (9) of  
2 section 302(c) of the Employee Retirement Income Secu-  
3 rity Act of 1974 (29 U.S.C. 1053(c)) is amended—

4 (1) by inserting “(A)” after “(9)”, and

5 (2) by adding at the end the following:

6 “(B)(i) If, for any plan year—

7 “(I) an election is in effect under this subpara-  
8 graph with respect to a plan, and

9 “(II) the assets of the plan are not less than  
10 125 percent of the plan’s current liability (as defined  
11 in paragraph (7)(B)), determined as of the valuation  
12 date for the preceding plan year,

13 then this section shall be applied using the information  
14 available as of such valuation date.

15 “(ii) Information under clause (i) shall, in accordance  
16 with regulations, be actuarially adjusted to reflect signifi-  
17 cant differences in participants.

18 “(iii) An election under this subparagraph, once  
19 made, shall be irrevocable without the consent of the Sec-  
20 retary of the Treasury.”.

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to plan years beginning on or after  
23 the date of enactment of this Act.

1 **SEC. 508. SECTION 457 INAPPLICABLE TO CERTAIN MIRROR**  
2 **PLANS.**

3 (a) **IN GENERAL.**—Subsection (e) of section 457 (re-  
4 lating to deferred compensation plans of State and local  
5 governments and tax-exempt organizations) is amended by  
6 adding at the end the following new paragraph:

7 “(17) This section shall not apply to a plan,  
8 program, or arrangement maintained solely for the  
9 purposes of providing retirement benefits for em-  
10 ployees in excess of the limitations imposed by sec-  
11 tions 401(a)(17) or 415.”.

12 (b) **CERTAIN DEFERRED COMPENSATION NOT**  
13 **TAKEN INTO ACCOUNT.**—Subsection (c) of section 457  
14 (relating to individuals who are participants in more than  
15 1 plan) (as amended by section 108(a)) is amended by  
16 adding at the end the following: “This section shall be ap-  
17 plied without regard to a plan, program, or arrangement  
18 described in subsection (e)(17).”.

19 (c) **EFFECTIVE DATE.**—The amendments made by  
20 this section shall apply to years beginning after December  
21 31, 1999.

22 **SEC. 509. SUBSTANTIAL OWNER BENEFITS IN TERMINATED**  
23 **PLANS.**

24 (a) **MODIFICATION OF PHASE-IN OF GUARANTEE.**—  
25 Section 4022(b)(5) of the Employee Retirement Income

1 Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended  
2 to read as follows:

3 “(5)(A) For purposes of this paragraph, the term  
4 ‘majority owner’ means an individual who, at any time  
5 during the 60-month period ending on the date the deter-  
6 mination is being made—

7 “(i) owns the entire interest in an unincor-  
8 porated trade or business,

9 “(ii) in the case of a partnership, is a partner  
10 who owns, directly or indirectly, 50 percent or more  
11 of either the capital interest or the profits interest  
12 in such partnership, or

13 “(iii) in the case of a corporation, owns, directly  
14 or indirectly, 50 percent or more in value of either  
15 the voting stock of that corporation or all the stock  
16 of that corporation.

17 For purposes of clause (iii), the constructive ownership  
18 rules of section 1563(e) of the Internal Revenue Code of  
19 1986 shall apply (determined without regard to section  
20 1563(e)(3)(C)).

21 “(B) In the case of a participant who is a majority  
22 owner, the amount of benefits guaranteed under this sec-  
23 tion shall equal the product of—

24 “(i) a fraction (not to exceed 1) the numerator  
25 of which is the number of years from the later of the

1 effective date or the adoption date of the plan to the  
2 termination date, and the denominator of which is  
3 10, and

4 “(ii) the amount of benefits that would be guar-  
5 anteed under this section if the participant were not  
6 a majority owner.”.

7 (b) MODIFICATION OF ALLOCATION OF ASSETS.—

8 (1) Section 4044(a)(4)(B) of the Employee Re-  
9 tirement Income Security Act of 1974 (29 U.S.C.  
10 1344(a)(4)(B)) is amended by striking “section  
11 4022(b)(5)” and inserting “section 4022(b)(5)(B)”.

12 (2) Section 4044(b) of such Act (29 U.S.C.  
13 1344(b)) is amended—

14 (A) by striking “(5)” in paragraph (2) and  
15 inserting “(4), (5),” and

16 (B) by redesignating paragraphs (3)  
17 through (6) as paragraphs (4) through (7), re-  
18 spectively, and by inserting after paragraph (2)  
19 the following:

20 “(3) If assets available for allocation under  
21 paragraph (4) of subsection (a) are insufficient to  
22 satisfy in full the benefits of all individuals who are  
23 described in that paragraph, the assets shall be allo-  
24 cated first to benefits described in subparagraph (A)  
25 of that paragraph. Any remaining assets shall then

1 be allocated to benefits described in subparagraph  
2 (B) of that paragraph. If assets allocated to such  
3 subparagraph (B) are insufficient to satisfy in full  
4 the benefits described in that subparagraph, the as-  
5 sets shall be allocated pro rata among individuals on  
6 the basis of the present value (as of the termination  
7 date) of their respective benefits described in that  
8 subparagraph.”.

9 (c) CONFORMING AMENDMENTS.—

10 (1) Section 4021 of the Employee Retirement  
11 Income Security Act of 1974 (29 U.S.C. 1321) is  
12 amended—

13 (A) in subsection (b)(9), by striking “as  
14 defined in section 4022(b)(6)”, and

15 (B) by adding at the end the following:

16 “(d) For purposes of subsection (b)(9), the term  
17 “substantial owner” means an individual who, at any time  
18 during the 60-month period ending on the date the deter-  
19 mination is being made—

20 “(1) owns the entire interest in an unincor-  
21 porated trade or business,

22 “(2) in the case of a partnership, is a partner  
23 who owns, directly or indirectly, more than 10 per-  
24 cent of either the capital interest or the profits inter-  
25 est in such partnership, or

1           “(3) in the case of a corporation, owns, directly  
2           or indirectly, more than 10 percent in value of either  
3           the voting stock of that corporation or all the stock  
4           of that corporation.

5 For purposes of paragraph (3), the constructive ownership  
6 rules of section 1563(e) of the Internal Revenue Code of  
7 1986 shall apply (determined without regard to section  
8 1563(e)(3)(C)).”.

9           (2) Section 4043(c)(7) of such Act (29 U.S.C.  
10 1343(c)(7)) is amended by striking “section 4022(b)(6)”  
11 and inserting “section 4021(d)”.

12           (d) EFFECTIVE DATES.—

13           (1) IN GENERAL.—Except as provided in para-  
14 graph (2), the amendments made by this section  
15 shall apply to plan terminations—

16           (A) under section 4041(c) of the Employee  
17 Retirement Income Security Act of 1974 (29  
18 U.S.C. 1341(c)) with respect to which notices  
19 of intent to terminate are provided under sec-  
20 tion 4041(a)(2) of such Act (29 U.S.C.  
21 1341(a)(2)) on or after the date of enactment  
22 of this Act, and

23           (B) under section 4042 of such Act (29  
24 U.S.C. 1342) with respect to which proceedings

1           are instituted by the corporation on or after  
2           such date.

3           (2) CONFORMING AMENDMENTS.—The amend-  
4           ments made by subsection (c) shall take effect on  
5           the date of enactment of this Act.

6 **SEC. 510. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT**  
7           **LOSS OF DIVIDEND DEDUCTION.**

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

13                           “(iii) is, at the election of such par-  
14                           ticipants or their beneficiaries—

15   “(I) payable as provided in clause  
16   (i) or (ii), or

17   “(II) paid to the plan and rein-  
18   vested in qualifying employer securi-  
19   ties, or”.

20          (b) EFFECTIVE DATE.—The amendments made by  
21          this section shall apply to taxable years beginning after  
22          December 31, 1999.



1 **SEC. 511. MODIFICATION OF 403(b) EXCLUSION ALLOWANCE**  
2 **TO CONFORM TO 415 MODIFICATION.**

3 The Secretary of the Treasury shall modify the regu-  
4 lations regarding the exclusion allowance under section  
5 403(b)(2) of the Internal Revenue Code of 1986 to render  
6 void the requirement that contributions to a defined bene-  
7 fit pension plan be treated as previously excluded amounts  
8 for purposes of the exclusion allowance. For taxable years  
9 beginning after December 31, 1999, such regulations shall  
10 be applied as if such requirement were void.

11 **SEC. 512. TREATMENT OF MULTIEMPLOYER PLANS UNDER**  
12 **SECTION 415.**

13 (a) **COMPENSATION LIMIT.**—Paragraph (11) of sec-  
14 tion 415(b) (relating to limitation for defined benefit  
15 plans) is amended to read as follows:

16 “(11) **SPECIAL LIMITATION RULE FOR GOVERN-**  
17 **MENTAL AND MULTIEMPLOYER PLANS.**—In the case  
18 of a governmental plan (as defined in section  
19 414(d)) or a multiemployer plan (as defined in sec-  
20 tion 414(f)), subparagraph (B) of paragraph (1)  
21 shall not apply.”.

22 (b) **EXEMPTION FOR SURVIVOR AND DISABILITY**  
23 **BENEFITS.**—Subparagraph (I) of section 415(b)(2) (relat-  
24 ing to limitation for defined benefit plans) is amended—

1           (1) by inserting “or a multiemployer plan (as  
2 defined in section 414(f))” after “section 414(d))”  
3 in clause (i),

4           (2) by inserting “or multiemployer plan” after  
5 “governmental plan” in clause (ii), and

6           (3) by inserting “AND MULTIEMPLOYER” after  
7 “GOVERNMENTAL” in the heading.

8 (c) COMBINING AND AGGREGATION OF PLANS.—

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

12           “(3) EXCEPTION FOR MULTIEMPLOYER  
13 PLANS.—Notwithstanding paragraph (1) and sub-  
14 section (g), a multiemployer plan (as defined in sec-  
15 tion 414(f)) shall not be combined or aggregated  
16 with any other plan maintained by an employer for  
17 purposes of applying the limitations established in  
18 this section.”.

19           (2) CONFORMING AMENDMENT FOR AGGREGA-  
20 TION OF PLANS.—Subsection (g) of section 415 (re-  
21 lating to aggregation of plans) is amended by strik-  
22 ing “The Secretary” and inserting “Except as pro-  
23 vided in subsection (f)(3), the Secretary”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to years beginning after December  
3 31, 1999.

4 **SEC. 513. ELIMINATION OF PARTIAL TERMINATION RULES**  
5 **FOR MULTIEMPLOYER PLANS.**

6 (a) PARTIAL TERMINATION RULES FOR MULTIEM-  
7 PLOYER PLANS.—Section 411(d)(3) (relating to termi-  
8 nation or partial termination; discontinuance of contribu-  
9 tions) is amended by adding at the end the following new  
10 sentence: “This paragraph shall not apply in the case of  
11 a partial termination of a multiemployer plan.”.

12 (b) EFFECTIVE DATE.—The amendment made by  
13 this section shall apply to partial terminations beginning  
14 after December 31, 1999.

15 **SEC. 514. NOTICE AND CONSENT PERIOD REGARDING DIS-**  
16 **TRIBUTIONS.**

17 (a) EXPANSION OF PERIOD.—

18 (1) IN GENERAL.—

19 (A) Subparagraph (A) of section 417(a)(6)  
20 is amended by striking “90-day” and inserting  
21 “one-year”.

22 (B) Subparagraph (A) of section 205(e)(7)  
23 of the Employee Retirement Income Security  
24 Act of 1974 (29 U.S.C. 1055) is amended by  
25 striking “90-day” and inserting “one-year”.

1           (2) MODIFICATION OF REGULATIONS.—The  
2           Secretary of the Treasury shall modify the regula-  
3           tions under sections 402(f), 411(a)(11), and 417 of  
4           the Internal Revenue Code of 1986 to substitute  
5           “one year” for “90 days” each place it appears in  
6           Treasury Regulations sections 1.402(f)-1, 1.411(a)-  
7           11(c), and 1.417(e)-1(b).

8           (3) EFFECTIVE DATE.—The amendments made  
9           by paragraph (1) and the modifications required by  
10          paragraph (2) shall apply to years beginning after  
11          December 31, 1999.

12          (b) CONSENT REGULATION INAPPLICABLE TO CER-  
13          TAIN DISTRIBUTIONS.—

14               (1) IN GENERAL.—The Secretary of the Treas-  
15               ury shall modify the regulations under section  
16               411(a)(11) of the Internal Revenue Code of 1986 to  
17               provide that the description of a participant’s right,  
18               if any, to defer receipt of a distribution shall also de-  
19               scribe the consequences of failing to defer such re-  
20               ceipt.

21               (2) EFFECTIVE DATE.—The modifications re-  
22               quired by paragraph (1) shall apply to years begin-  
23               ning after December 31, 1999.

1 **SEC. 515. CONFORMING AMENDMENTS RELATING TO ELEC-**  
2 **TION TO RECEIVE TAXABLE CASH COM-**  
3 **PENSATION IN LIEU OF NONTAXABLE PARK-**  
4 **ING BENEFITS.**

5 (a) IN GENERAL.—

6 (1) Clause (ii) of section 415(c)(3)(D) and sub-  
7 paragraph (B) of section 403(b)(3) are each amend-  
8 ed by striking “section 125 or” and inserting “sec-  
9 tion 125, 132(f)(4), or”.

10 (2) Paragraph (2) of section 414(s) is amended  
11 by striking “section 125, 402(e)(3)” and inserting  
12 “section 125, 132(f)(4), 402(e)(3)”.

13 (b) EFFECTIVE DATE.—The amendments made by  
14 subsection (a) shall take effect as if included in the  
15 amendment made by section 1072 of the Taxpayer Relief  
16 Act of 1997.

17 **SEC. 516. EXTENSION TO INTERNATIONAL ORGANIZATIONS**  
18 **OF MORATORIUM ON APPLICATION OF CER-**  
19 **TAIN NONDISCRIMINATION RULES APPLICA-**  
20 **BLE TO STATE AND LOCAL PLANS.**

21 (a) IN GENERAL.—Subparagraph (G) of section  
22 401(a)(5), subparagraph (H) of section 401(a)(26), sub-  
23 paragraph (G) of section 401(k)(3), and paragraph (2) of  
24 section 1505(d) of the Taxpayer Relief Act of 1997 are  
25 each amended by inserting “or by an international organi-

1 zation which is described in section 414(d)” after “or in-  
2 strumentality thereof”.

3 (b) CONFORMING AMENDMENTS.—

4 (1) The headings for subparagraph (G) of sec-  
5 tion 401(a)(5) and subparagraph (H) of section  
6 401(a)(26) are each amended by inserting “AND  
7 INTERNATIONAL ORGANIZATION” after “GOVERN-  
8 MENTAL”.

9 (2) Subparagraph (G) of section 401(k)(3) is  
10 amended by inserting “STATE AND LOCAL GOVERN-  
11 MENTAL AND INTERNATIONAL ORGANIZATION  
12 PLANS.—” after “(G)”.

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall take effect as if included in the amend-  
15 ment made by section 1505 of the Taxpayer Relief Act  
16 of 1997.

17 **SEC. 517. EMPLOYEES OF TAX-EXEMPT ENTITIES.**

18 (a) IN GENERAL.—The Secretary of the Treasury  
19 shall modify Treasury Regulations section 1.410(b)–6(g)  
20 to provide that employees of an organization described in  
21 section 403(b)(1)(A)(i) of the Internal Revenue Code of  
22 1986 who are eligible to make contributions under section  
23 403(b) pursuant to a salary reduction agreement may be  
24 treated as excludable with respect to a plan under section  
25 401(k), or section 401(m) of such Code that is provided

1 under the same general arrangement as a plan under such  
2 section 401(k), if—

3 (1) no employee of an organization described in  
4 section 403(b)(1)(A)(i) of such Code is eligible to  
5 participate in such section 401(k) plan or section  
6 401(m) plan, and

7 (2) 95 percent of the employees who are not  
8 employees of an organization described in section  
9 403(b)(1)(A)(i) of such Code are eligible to partici-  
10 pate in such section 401(k) plan or section 401(m)  
11 plan.

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

16 **SEC. 518. PERMISSIVE AGGREGATION OF COLLECTIVE BAR-**  
17 **GAINING UNITS.**

18 (a) IN GENERAL.—Paragraph (3) of section 410(b)  
19 is amended by inserting the following immediately before  
20 the last sentence thereof: “Solely for purposes of applying  
21 this subsection to employees who are not described in sub-  
22 paragraph (A), an employer may elect to have subpara-  
23 graph (A) not apply to one or more units of employees  
24 who are described in subparagraph (A).”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to years beginning after December  
3 31, 1999.

4 **SEC. 519. REPEAL OF TRANSITION RULE RELATING TO CER-**  
5 **TAIN HIGHLY COMPENSATED EMPLOYEES.**

6 (a) IN GENERAL.—Paragraph (4) of section  
7 1114(c)(4) of the Tax Reform Act of 1986 is hereby re-  
8 pealed.

9 (b) EFFECTIVE DATE.—The repeal made by sub-  
10 section (a) shall apply to plan years beginning on or after  
11 January 1, 2000.

12 **SEC. 520. CLARIFICATION OF TREATMENT OF EMPLOYER-**  
13 **PROVIDED RETIREMENT ADVICE.**

14 (a) IN GENERAL.—Section 132(e) (defining de mini-  
15 mis fringe) is amended by adding at the end the following:

16 “(3) TREATMENT OF CERTAIN RETIREMENT  
17 PLANNING SERVICES.—The provision of retirement  
18 planning services by an employer to employees, to  
19 the extent not described in subsection (d), shall be  
20 treated as a de minimis fringe.”.

21 (b) NO CONSTRUCTIVE RECEIPT.—Section 132 is  
22 amended by redesignating subsection (m) as subsection  
23 (n) and by inserting after subsection (l) the following:

24 “(m) RETIREMENT PLANNING.—



1           “(1) IN GENERAL.—No amount shall be in-  
2           cluded in the gross income of an employee solely be-  
3           cause the employee may choose between any retire-  
4           ment planning fringe and compensation which would  
5           otherwise be includible in the gross income of such  
6           employee.

7           “(2) NONDISCRIMINATION REQUIREMENT.—  
8           Paragraph (1) shall apply to a highly compensated  
9           employee only if the choice described in such para-  
10          graph is available on substantially the same terms to  
11          each member of a group of employees which is de-  
12          fined under a reasonable classification set up by the  
13          employer which does not discriminate in favor of  
14          highly compensated employees.

15          “(3) RETIREMENT PLANNING FRINGE.—For  
16          purposes of this subsection, the term ‘retirement  
17          planning fringe’ means any retirement planning  
18          services provided by an employer to an employee  
19          which are not included in the gross income of the  
20          employee by reason of subsection (d) or (e).”.

21          (c) EFFECTIVE DATE.—The amendments made by  
22          this section shall apply to years beginning after December  
23          31, 1999.

1 **SEC. 521. ANNUAL REPORT DISSEMINATION.**

2 (a) IN GENERAL.—Section 104(b)(3) of the Em-  
3 ployee Retirement Income Security Act of 1974 (29  
4 U.S.C. 1024(b)(3)) is amended by striking “shall furnish”  
5 and inserting “shall make available for examination (and,  
6 upon request, shall furnish)”.

7 (b) EFFECTIVE DATE.—The amendment made by  
8 this section shall apply to reports for years beginning after  
9 December 31, 1998.

10 **SEC. 522. EXCESS BENEFIT PLANS.**

11 (a) IN GENERAL.—Section 3(36) of the Employee  
12 Retirement Income Security Act of 1974 (29 U.S.C.  
13 1002(36)) is amended to read as follows:

14 “(36) The term ‘excess benefit plan’ means a  
15 plan, without regard to whether such plan is funded,  
16 maintained by an employer solely for the purpose of  
17 providing benefits to employees in excess of the limi-  
18 tations imposed by 1 or more of sections 401(a)(17),  
19 401(k), 401(m), 402(g), 403(b), 408(k), 408(p), or  
20 415 of the Internal Revenue Code of 1986 or any  
21 other limitation on contributions or benefits in such  
22 Code on plans to which any of such sections apply.  
23 To the extent that a separable part of a plan (as de-  
24 termined by the Secretary of Labor) maintained by  
25 an employer is maintained for such purpose, that

1 part shall be treated as a separate plan which is an  
2 excess benefit plan.”.

3 (b) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to years beginning after December  
5 31, 1999.

6 **SEC. 523. BENEFIT SUSPENSION NOTICE.**

7 (a) MODIFICATION OF REGULATION.—The Secretary  
8 of Labor shall modify the regulation under section  
9 203(a)(3)(B) of the Employee Retirement Income Secu-  
10 rity Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide  
11 that the notification required by such regulation—

12 (1) may be included in the summary plan de-  
13 scription for the plan furnished in accordance with  
14 section 104(b) of such Act (29 U.S.C. 1024(b)),  
15 rather than in a separate notice, and

16 (2) need not include a copy of the relevant plan  
17 provisions.

18 (b) EFFECTIVE DATE.—The modification made  
19 under subsection (a) shall apply to plan years beginning  
20 after December 31, 1999.

21 **SEC. 524. PROVISIONS RELATING TO PLAN AMENDMENTS.**

22 (a) IN GENERAL.—If this section applies to any plan  
23 or contract amendment—

24 (1) such plan or contract shall be treated as  
25 being operated in accordance with the terms of the

1 plan during the period described in subsection  
2 (b)(2)(A), and

3 (2) such plan shall not fail to meet the require-  
4 ments of section 411(d)(6) of the Internal Revenue  
5 Code of 1986 or section 204(g) of the Employee Re-  
6 tirement Income Security Act of 1974 (29 U.S.C.  
7 1054(g)) by reason of such amendment.

8 (b) AMENDMENTS TO WHICH SECTION APPLIES.—

9 (1) IN GENERAL.—This section shall apply to  
10 any amendment to any plan or annuity contract  
11 which is made—

12 (A) pursuant to any amendment made by  
13 this Act, or pursuant to any regulation issued  
14 under this Act, and

15 (B) on or before the last day of the first  
16 plan year beginning on or after January 1,  
17 2002.

18 In the case of a government plan (as defined in sec-  
19 tion 414(d) of the Internal Revenue Code of 1986  
20 and section 3(32) of the Employee Retirement In-  
21 come Security Act of 1974), this paragraph shall be  
22 applied by substituting “2004” for “2002”.

23 (2) CONDITIONS.—This section shall not apply  
24 to any amendment unless—

25 (A) during the period—

1 (i) beginning on the date the legisla-  
2 tive or regulatory amendment described in  
3 paragraph (1)(A) takes effect (or in the  
4 case of a plan or contract amendment not  
5 required by such legislative or regulatory  
6 amendment, the effective date specified by  
7 the plan), and

8 (ii) ending on the date described in  
9 paragraph (1)(B) (or, if earlier, the date  
10 the plan or contract amendment is adopt-  
11 ed),

12 the plan or contract is operated as if such plan  
13 or contract amendment were in effect, and

14 (B) such plan or contract amendment ap-  
15 plies retroactively for such period.

16 **SEC. 525. REPORTING SIMPLIFICATION.**

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

19 (1) IN GENERAL.—The Secretary of the Treas-  
20 ury shall modify the requirements for filing annual  
21 returns with respect to one-participant retirement  
22 plans to ensure that such plans with assets of  
23 \$500,000 or less as of the close of the plan year  
24 need not file a return for that year.

1           (2) ONE-PARTICIPANT RETIREMENT PLAN DE-  
2 FINED.—For purposes of this subsection, the term  
3 “one-participant retirement plan” means a retire-  
4 ment plan that—

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

6           (i) covered only the employer (and the  
7 employer’s spouse) and the employer  
8 owned the entire business (whether or not  
9 incorporated), or

10          (ii) covered only one or more partners  
11 (and their spouses) in a business partner-  
12 ship (including partners in an S or C cor-  
13 poration),

14          (B) meets the minimum coverage require-  
15 ments of section 410(b) of the Internal Revenue  
16 Code of 1986 without being combined with any  
17 other plan of the business that covers the em-  
18 ployees of the business,

19          (C) does not provide benefits to anyone ex-  
20 cept the employer (and the employer’s spouse)  
21 or the partners (and their spouses),

22          (D) does not cover a business that is a  
23 member of an affiliated service group, a con-  
24 trolled group of corporations, or a group of  
25 businesses under common control, and

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

3           (3) OTHER DEFINITIONS.—Terms used in para-  
4           graph (2) which are also used in section 414 of the  
5           Internal Revenue Code of 1986 shall have the re-  
6           spective meanings given such terms by such section.

7           (b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR  
8           PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case  
9           of a retirement plan which covers less than 25 employees  
10          on the 1st day of the plan year and meets the require-  
11          ments described in subparagraphs (B), (D), and (E) of  
12          subsection (a)(2), the Secretary of the Treasury shall pro-  
13          vide for the filing of a simplified annual return that is  
14          substantially similar to the annual return required to be  
15          filed by a one-participant retirement plan.

16   **SEC. 526. MODEL PLANS FOR SMALL BUSINESSES.**

17          (a) IN GENERAL.—Not later than December 31,  
18          2000, the Secretary of the Treasury is directed to issue  
19          at least one model defined contribution plan and at least  
20          one model defined benefit plan that fit the needs of small  
21          businesses and that shall be treated as meeting the re-  
22          quirements of section 401(a) of the Internal Revenue Code  
23          of 1986 with respect to the form of the plan. To the extent  
24          that the requirements of section 401(a) of such Code are  
25          modified after the issuance of such plans, the Secretary

1 of the Treasury shall, in a timely manner, issue model  
2 amendments that, if adopted in a timely manner by an  
3 employer that has a model plan in effect, shall cause such  
4 model plan to be treated as meeting the requirements of  
5 section 401(a) of such Code, as modified, with respect to  
6 the form of the plan.

7 (b) MASTER AND PROTOTYPE PLAN ALTER-  
8 NATIVE.—The Secretary of the Treasury may, in its dis-  
9 cretion, satisfy the requirements of subsection (a) through  
10 the enhancement and simplification of the Secretary’s pro-  
11 grams for master and prototype plans in such a manner  
12 as to achieve the purposes of subsection (a).

○