August 8, 2006

SUMMARY COMPARISON OF CURRENT LAW AND THE PRINCIPAL PROVISIONS OF THE PENSION PROTECTION ACT (H.R. 4):[1] CHANGES PRIMARILY AFFECTING DEFINED CONTRIBUTION PLANS, IRAS, GOVERNMENTAL AND TAX-EXEMPT EMPLOYER PLANS, AND INSURANCE PROGRAMS

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[1] This chart generally summarizes the changes affecting defined contribution plans, IRAs, governmental and tax-exempt employer plans, and other miscellaneous provisions in H.R. 4, as passed by the House of Representatives and the Senate on July 28, 2006 and August 3, 2006, respectively. The single-employer pension funding and cash balance provisions and the multiemployer funding reforms contained in the bill are included in a separate chart.

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NEW OR MODIFIED REQUIREMENTS FOR DEFINED CONTRIBUTION PLANS

	Current Law	H.R. 4, the Pension Protection Act
Diversification Requirements	Defined contribution plans may require plan assets to be invested in employer securities and there is no general requirement that participants be given the ability to diversify these amounts. Participants in an employee stock ownership plan ("ESOP") who have reached age 55 and have participated in the plan for at least 10 years must be permitted to diversify part of their accounts in assets other than employer stock.	Generally beginning in 2007, amounts attributable to elective deferrals and after-tax employee contributions could be diversified at all times, and amounts attributable to employer matching and employer nonelective contributions could be diversified after a participant completes 3 years of service. A 3-year transition rule would apply to amounts invested in employer securities acquired before the first year in which the new rules apply. In addition, plans would be required to provide at least 3 diversified investment options other than employer securities or employer real property. Other investment options generally offered under the plan must be available, and plans must allow diversification elections at least quarterly, on the same basis as the opportunity to make other investment changes, except as provided in regulations or by reason of securities laws. Effective in 2007, a plan must provide notice at least 30 days before the participant becomes eligible to diversify his or her investments, setting forth such right and describing the importance of diversifying investments. Failure to provide notice may result in penalties of up to $100 per day per participant. Treasury is directed to issue a model notice within 180 days of the date of enactment.
Benefit Statements	ERISA requires plan administrators to provide benefit statements to participants upon request, but not more than once per year. A benefit statement must include the participant's total accrued benefits and vested accrued pension benefits (or earliest date on which benefits will be vested).	Defined contribution plans (other than one-participant plans) and tax-deferred annuities must provide quarterly benefit statements to participants with the right to direct investments, annual statements to participants who do not self-direct investments, and benefit statements upon written request (limited to one request per year). In addition, defined benefit plans would be required to furnish benefit statements every three years (or alternatively, annually

	Current Law	H.R. 4, the Pension Protection Act
		furnish a notice of the availability of statements) to vested participants, or provide benefit statements upon written request (limited to one request per year). Such benefit statements must include, among other things, information regarding accrued or vested benefits to date, the value of the participant's investments (as of the most recent valuation date), an explanation of the importance of diversification, and a direction to the DOL's web site for investment and diversification information. Such statements may be delivered in written or electronic form. Failure to furnish benefit statements may result in penalties up to $100 per day per participant. The DOL is directed to issue model benefit statements within 1 year of the date of enactment. These new requirements are effective beginning in 2007, with special rules for collectively bargained plans.
Faster Vesting	Employer contributions made to a defined contribution plan (other than matching contributions) must vest under either a 5-year cliff or 7-year graded vesting schedule. Matching contributions must vest under a 3-year cliff or 6-year graded vesting schedule.	Beginning in 2007 (with special rules for collectively bargained plans), all employer contributions (not just matching contributions) made to a defined contribution plan must vest under either a 3-year cliff or 6-year graded vesting schedule.
Joint and Survivor Distribut-ions	In general, defined benefit and money purchase plans must provide benefits in the form of a qualified joint and survivor annuity, which generally is an annuity for the life of the participant, and upon the participant's death, an annuity payable to the surviving spouse in an amount that is not less than 50 percent of the lifetime annuity.	Beginning in 2008 (with special rules for collectively bargained plans), participants are allowed to elect a new "qualified optional survivor annuity." A qualified optional survivor annuity is an annuity for the life of the participant with a survivor annuity for the life of the spouse that is equal to an "applicable percentage" of the amount of the annuity that is payable during the joint lives of the participant and the spouse. Specifically, if a plan's survivor annuity is less than 75 percent of the annuity payable during the joint lives

	Current Law	**H.R. 4, the Pension Protection Act**
		of the participant and spouse (e.g., the survivor annuity is 50 percent), the applicable percentage is 75 percent. If, however, the annuity during the joint lives of the participant and spouse is 75 percent or greater, the survivor annuity would be 50 percent of the annuity payable during their joint lives.
Blackout Notices	Under changes made by the Sarbanes-Oxley Act of 2002, ERISA requires plan administrators to send notice of a "blackout period" to participants at least 30 days before the beginning of the period. A blackout period is generally any period during which a participant's ability to direct assets (or obtain loans or distributions) is temporarily suspended for a period of more than 3 consecutive business days.	Blackout notices are not required to be sent to single-participant or partner-only plans, retroactive to the effective date under the Sarbanes Oxley Act of 2002.

EGTRRA AND SAVER'S CREDIT PERMANENCE

	Current Law	**H.R. 4, the Pension Protection Act**
EGTRRA Permanence	The Economic Growth Tax Relief Reconciliation Act of 2001 ("EGTRRA") made a number of changes relating to retirement plans (e.g., 401(a) tax-favored, 403(b), and 457 plans and IRAs). The provisions of EGTRRA, however, are scheduled to sunset on December 31, 2010.	The changes made by EGTRRA to tax-favored retirement plans are made permanent.
Saver's Credit Permanence	A non-refundable credit (at a rate of up to 50 percent) is provided on contributions (up to $2,000) made by certain eligible individuals below certain AGI limits to a tax-favored retirement plan. The credit is phased out based on AGI and would sunset on December 31, 2006.	The Saver's Credit is made permanent. Beginning in 2007, the AGI limits are indexed for inflation (rounded to the nearest $500).

CHANGES AFFECTING PLAN DISTRIBUTIONS

	Current Law	**H.R. 4, the Pension Protection Act**
Direct Rollovers to Roth IRAs	Generally, distributions from qualified plans, tax-deferred annuities, and governmental 457 plans cannot be rolled directly over to a Roth IRA. Instead, the initial rollover must be made to a traditional IRA (as a conduit).	Beginning in 2008, distributions from qualified plans, tax-deferred annuities, and governmental 457 plans (but not IRAs) may be rolled over directly to a Roth IRA, if the current law Roth IRA conversion rules are satisfied.
In-Service Distributions	Generally, pension payments may not be made until the later of termination of employment or the attainment or Normal Retirement Age ("NRA") (typically age 65). Thus, pension payments may be made to participants who (i) have reached NRA and (ii) continue in employment, if the plan permits them.	Beginning in 2007, pension payments may be made to a participant who (i) attains age 62 and (ii) continues in employment.
Rollover of After-Tax Amounts	Generally, after-tax contributions may be rolled directly over from a qualified plan to a defined contribution plan, and from one tax-deferred annuity to another, so long as the receiving plan or tax-deferred annuity separately accounts for such rollover amounts.	Beginning in 2007, rollovers of after-tax amounts through a direct rollover into defined contribution plans, defined benefit plans, and tax-deferred annuities are permitted, but only if the plan or annuity separately accounts for such contributions and earnings thereon.
Rollovers by Non-spouse Benefic-iaries	The spouse of a deceased participant in a qualified plan, tax-deferred annuity, or governmental section 457 plan may generally rollover the participant's benefit to an IRA. Non-spouse beneficiaries may not make such rollovers. IRA beneficiaries may maintain and receive distributions from an inherited IRA subject to certain minimum distribution rules. If a nonspouse beneficiary inherits an IRA, contributions may generally not be made nor may amounts from the inherited IRA be rolled over to another IRA or employer-provided plan.	Beginning in 2007, nonspouse beneficiaries are permitted to transfer amounts from a qualified plan, tax-deferred annuity, or governmental 457 plan directly to an IRA. The IRA is treated as an inherited IRA for purposes of the minimum distribution rules.

	Current Law	**H.R. 4, the Pension Protection Act**
Expansion of the Hardship Rules	A Code section 401(k), 403(b), or 457 plan participant may receive a hardship distribution if certain requirements are met. Similarly, nonqualified deferred compensation plan participants may receive a distribution for an unforeseeable emergency as that term is defined under Code section 409A. Generally, a hardship distribution may only be made on account of a financial emergency or unforeseeable emergency of the participant.	A Code section 401(k), 403(b), or 457 plan participant may receive a hardship distribution based on the financial hardship or unforeseeable emergency of the participant's spouse or dependent (as defined under Code section 152). This change is also available for nonqualified deferred compensation plan participants under Code section 409A. Treasury is directed to effectuate these changes 180 days after the date of enactment.
Distribut-ions to Active Duty Reservists	In general, a 10-percent early withdrawal penalty tax is applied to amounts distributed from a qualified retirement plan or traditional IRA prior to the attainment of age 59-1/2, death, or disability.	A distribution made from a qualified retirement plan to a military reservist called to active duty on or after September 11, 2001 and before December 31, 2007 for more than 179 days will not be subject to the 10 percent early withdrawal penalty tax if such distribution is made during the period of active duty. Generally, a military reservist receiving an early distribution may re-contribute the amounts received over two years after the reservist's active duty ends and such re-contributed amounts will not affect the annual contribution limit.
Notice and Consent Period Regarding Distribut-ions	In general, participants must receive written notice prior to amounts being distributed under the plan. In addition, if the plan is subject to the joint and survivor annuity ("QJSA") requirements, special notice and consent rules apply. Generally, notice to participants must be made no less than 30 and no more than 90 days before the date of distribution.	Beginning in 2007, distribution notices must be furnished no less than 30 days and no more than 180 days before the date of distribution.

AUTOMATIC ENROLLMENT – NONDISCRIMINATION SAFE HARBOR

	Current Law	**H.R. 4, the Pension Protection Act**
Nondis-crimination Safe Harbor	Generally, a Code section 401(k) plan is subject to the actual deferral percentage ("ADP") test and actual contribution percentage ("ACP") test. A safe harbor is available (allowing a plan to automatically meet these tests) if the plan sponsor makes either "safe harbor nonelective contributions" or "safe harbor matching contributions" (discussed more fully below). A notice requirement applies as well (also discussed below). Generally, a 401(k) plan that makes safe harbor nonelective contributions and matching contributions would automatically meet the top-heavy rules.	Generally, if the requirements described below are satisfied, a 401(k) plan with a "qualified automatic contribution arrangement" would automatically meet the: • Actual deferral percentage ("ADP") test. • Actual contribution percentage ("ACP") test. • Top-heavy rules.
Automatic Election	Generally, a 401(k) plan participant must affirmatively make an election to defer compensation under the plan. However, IRS guidance allows employers to make contributions on behalf of new employees or current non-participating employees under an "auto enrollment" program (also known as a "negative election" program) as long as they are notified of, and have, the opportunity to change or opt out at any time.	An election to defer compensation would be automatically made by the employer on behalf of an eligible employee, unless the employee elects otherwise. The participant must be given the opportunity to make an affirmative election (i) to not have such elective contributions made or (ii) to make elective contributions at a specified level.
Elective Contribution Amount	The IRS has informally approved of a "negative election" program that automatically increases the rate of elective deferrals for participants and IRS regulations do not restrict an advance election to increase deferrals as of a future date.	The elective contribution amount must be capped at 10 percent of compensation, but may not be less than: • 3 percent of compensation for the first plan year in which the deemed contribution election applies to the participant; • 4 percent of compensation for the second plan year; • 5 percent of compensation for the third plan year; and • 6 percent of compensation for any plan year thereafter.

	Current Law	**H.R. 4, the Pension Protection Act**
Availability of Automatic Enrollment	IRS guidance provides that a "negative election" program may be made available to new and current non-participating employees.	The automatic election generally applies only to new employees. Participants already in the plan are not required to be covered.
Contribution Require-ments	Under the 401(k) safe harbor rules, a 401(k) plan will meet the ADP test if a plan sponsor makes matching contributions on behalf of all non-highly compensated employees ("NHCEs") covered under the arrangement equal to (i) 100 percent of the employee's elective deferral up to 3 percent of compensation and (ii) 50 percent of the employee's elective deferral from 3 to 5 percent of compensation. Alternatively, the plan sponsor may make a nonelective contribution of at least 3 percent of compensation on behalf of all NHCEs. A 401(k) plan will meet the ACP test if (i) the matching contributions are not provided with respect to elective deferral in excess of 6 percent of compensation, (ii) the rate of matching contribution does not increase as the rate of an employee's elective deferrals increases, and (iii) the rate of matching contribution with respect to any rate of elective deferral of a highly compensated employee ("HCE") is no greater than the rate of matching contribution with respect to the same rate of deferral of a NHCE.	The plan sponsor must generally make (i) matching contributions on behalf of all non-highly compensated employees ("NHCEs") covered under the arrangement equal to (a) 100 percent of their elective contributions up to 1 percent of compensation and (b) 50 percent of their elective contributions from 1 to 6 percent of compensation, *or* (ii) nonelective contributions on behalf of all NHCEs eligible to participate in the arrangement, without regard to whether a covered employee makes a contribution under the plan, of at least 3 percent of compensation. If matching contributions are made, the plan would automatically satisfy the ACP test if (i) the matching contributions do not exceed 6 percent of compensation, (ii) the rate of the match does not increase as the rate of an employee's elective deferrals increases, and (iii) the rate of the match for highly compensated employees ("HCEs") is no greater than the rate of match for NHCEs.
Vesting Require-ment	Safe harbor contributions must be 100 percent vested at all times.	Participants must be 100 percent vested in employer matching or nonelective contributions after completing 2 years of service
Notice Require-ment	At least 30 days but no more than 90 days before the beginning of the plan year, employees must generally be given written notice which is (i) "sufficiently accurate and comprehensive" to inform the employee of his or her rights and obligations under the plan and (ii) written in a manner calculated to be understood	Generally the same as current law, except the notice must explain (i) the participant's rights to elect not to have elective contributions made under the plan (or to elect a different percentage) and (ii) how such contributions will be invested in the absence of any investment election.

	Current Law	H.R. 4, the Pension Protection Act
	by the average employee. For new employees, notice must generally be provided no more than 90 days before the employee becomes eligible, and no later than the date of eligibility.	The participant must be given a reasonable amount of time after receipt of the notice, and before the automatic elective contributions begin, to make an election with respect to contributions and investments.
403(b) Annuity Contracts	In general, 403(b) annuity contracts are subject to the actual contribution percentage ("ACP") test, but not the actual deferral percentage ("ADP") test. The IRS allows "negative election" programs for 403(b) annuity contracts.	A 403(b) annuity contract that makes an automatic election on behalf of participants would generally satisfy the ACP test with respect to matching contributions if the applicable requirements are satisfied.
Effective Date	N/A	The automatic enrollment nondiscrimination safe harbor is available for plan years beginning after December 31, 2007.

ADDITIONAL PROVISIONS AFFECTING AUTOMATIC ENROLLMENT

	Current Law	**H.R. 4, the Pension Protection Act**
Unwinding Automatic Contribut-ions	No provision.	Beginning in 2008, a Code section 401(a) plan, a tax-deferred annuity, and a governmental 457(b) plan that generally incorporates a negative election-type feature into the plan (i.e., an "eligible automatic contribution arrangement"), and generally meets the notice requirements applicable to a qualified automatic contribution arrangement (discussed above), may return automatic contributions to participants, but only if the participant elects to receive an "erroneous automatic contribution" within 90 days of the date the first automatic contribution was made on behalf of the participant. The returned amounts are includible income in the year in which such amounts are returned, but the 10 percent early withdrawal penalty and the otherwise applicable withdrawal restrictions would not apply. If matching contributions are made, such contributions shall generally be forfeited. In general, the returned amount must not exceed the amounts that were automatically contributed prior to the effective date of the participant's election to return such amounts. Erroneous automatic contributions shall not be taken into account for purposes of applying the nondiscrimination rules or limit on elective deferrals.
Excess Contribut-ions	In general, a 10 percent excise tax is imposed on "excess contributions" or "excess aggregate contributions" made by an employer that are not returned to participants within 2-1/2 months after the close of the plan year in which the contributions were made. Generally, excess contributions are elective contributions (and employer nonelective and matching contributions that are treated as elective contributions) made to HCEs that cause the plan to fail the ADP test. Generally, excess	Beginning in 2008, if automatic contributions made under an eligible automatic contribution arrangement result in excess contributions or excess aggregate contributions, the 10 percent excise tax does not apply if such contributions (and earnings) are returned to participants within 6 months after the close of the plan year and such amounts are included in income.

	Current Law	H.R. 4, the Pension Protection Act
	aggregate contributions are the aggregate amount of matching and after-tax contributions (if any) made to HCEs which cause the plan to fail the ACP test.	
Preemption of State Law for Auto Enrollment	ERISA section 514 broadly preempts any state law that relates to a plan. Various state laws may restrict a plan's enrollment procedures, including state requirements for affirmative or written authorization for payroll deductions, or limits on overall payroll deductions for employee benefit plan contributions relative to an employee's total wages. DOL has issued several advisory opinions indicating that such laws, even state criminal laws, are preempted by ERISA. However, there has been no recent guidance in this area.	ERISA's preemption provision is amended to provide that any state law restricting automatic enrollment arrangements (i.e., a "qualified" or "eligible" automatic contribution arrangement discussed above) that generally meet the notice requirements for the nondiscrimination safe harbor (also discussed above) and meet the new "default investment" requirements (discussed below) would be preempted. The DOL is given authority to prescribe minimum standards that an arrangement must meet in order to enjoy preemption under ERISA section 514.

ERISA FIDUCIARY PROVISIONS PRIMARILY AFFECTING DEFINED CONTRIBUTION PLANS

	Current Law	H.R. 4, the Pension Protection Act
Investment Advice	The provision of investment advice for a fee to plan sponsor or to participants in a participant-directed plan is a fiduciary act. Generally, an investment adviser that provides advice to invest in specific securities or vehicles that pay additional fees to the adviser or the adviser's affiliate could violate ERISA's self-dealing restrictions. DOL has issued several older class exemptions that may provide relief for such transactions. DOL more recently has indicated a prohibited transaction will not occur if an adviser levels or offsets all of his fees such that the adviser has no financial interest in a transaction. Alternatively, the adviser must use, and not deviate from, an independently developed computer model that provides the investment recommendations. Plan sponsors that hire investment advisers have a fiduciary responsibility to prudently select and monitor the adviser. In addition, under ERISA section 405, a sponsor could be liable for the fiduciary breaches of advisers they have hired under certain circumstances.	Provides an exemption for the provision of advice to participants and receipt of fees from such advice by a "fiduciary advisor." The exemption does not apply to "plan level" advice (i.e., advice to plan fiduciaries who are selecting investment options, or any plans other than participant directed plans). Fiduciary adviser is defined broadly to include banks, insurance companies, broker dealers, registered investment advisers, all of their affiliates, and all of their employees, representatives and agents. The exemption includes significant conditions. Most importantly, advice must be given pursuant to an "eligible investment advice arrangement" ("Eligible Arrangement"). To be an Eligible Arrangement, either (i) any fees received by the adviser must not vary on the basis of investment options selected or (ii) the adviser must use a computer model. The computer model must be objective and must be certified by an eligible investment expert at the time it is initially used and then again if later modified. The independent expert must have no material relationship with the adviser. A myriad of additional conditions apply, including comprehensive disclosures of fees and affiliations that must be given before the time of the advice and regularly updated. Advisers must obtain an annual audit from an independent auditor regarding compliance with the exemption. Plan sponsors are given some relief from the specific advice provided by advisers, but they must prudently select and monitor advisers as they currently must do for investment managers. The exemption for IRAs includes the same conditions in ERISA section 406 and Code section 4975. However, the exemption

	Current Law	**H.R. 4, the Pension Protection Act**
		includes a special rule that directs the DOL to study whether computer models are feasible for IRAs. In particular, DOL must determine if computer models can take into account the full range of investments available in IRAs, including individual bonds and equities. DOL must issue a report to Congress and if it determines a computer model is not feasible it must issue a class exemption for IRAs that follows the statutory exemption, but without the computer model requirement. If DOL initially finds that computer models are not feasible for IRAs, any person may later ask DOL to review that finding based on new information and DOL must respond within 90 days of such request. If DOL then makes a finding that computer models are feasible, then the exemption is revoked within 2 years.
Default Investment Options	Under ERISA, the investment of plan assets is generally a "fiduciary" act. Under ERISA a fiduciary must, among other things, act for the exclusive benefit of participants and act with care, skill and prudence. Under ERISA section 404(c), provided certain requirements are met, plan fiduciaries are relieved of liability for losses that result from a participant's exercise of control over his or her plan account balance. It is DOL's view that 404(c) relief is not available in the absence of a participant's affirmative investment direction, including where a participant's account is invested "by default" in an investment option.	New ERISA section 404(c)(5) is added to extend protection to fiduciaries of plans that provide for the investment of the participant account balances in the absence of an affirmative investment election in "default investments." To obtain relief, the plan must comply with new DOL regulations and provide notice to participants. DOL must issue regulations on the appropriateness of designating certain investments as "default investments" that would permit the use of a mix of investments and asset classes consistent with long-term capital appreciation or capital preservation, or a blend of both. Annual notice must be provided to participants explaining the employee's right to designate investments under the plan and how a participant's account balance will be invested in the absence of an affirmative investment election. The participant must be given a reasonable amount of time after receipt of the notice, and before the beginning of the plan year, to

	Current Law	H.R. 4, the Pension Protection Act
		affirmatively designate investments under the plan.
Mapping	ERISA section 404(c) provides that if a participant is permitted to direct his own investments under the plan, plan fiduciaries will generally not be liable for losses that result from the participant's direction. Under 404(c), the plan fiduciary must provide a broad range of investment options, consisting of at least three diversified investment options. Failure to prudently choose these investment options may result in personal liability on the part of the fiduciary under 404(a). DOL currently takes the position that section 404(c) is not available to a fiduciary either (1) during a blackout period or (2) when participant account balances are "mapped" to new options without an affirmative participant direction. Section 101(i) of ERISA requires administrators to provide advance notice of a "blackout period." Generally, the notice must be provided at least 30 days in advance. A "blackout period is defined as a period of 3 or more consecutive days in which individual account participants may not direct trades, obtain loans or obtain distributions.	For plan years beginning after 2007 (later for collectively bargained plans) ERISA section 404(c) is amended in two respects. First, fiduciaries are provided with 404(c) relief during a blackout period if they authorized and implemented the blackout period consistent with the "requirements of this title." In addition, ERISA section 404(c)(4) would be added to provide generally that, if certain requirements are met, section 404(c) relief would be available for mapping that constitutes a "qualified change in investment options." A "qualified change in investment options" must meet the following requirements: • The participant's account is reallocated among one or more new investment options which have characteristics relating to risk and rate of return are reasonably similar to the existing investment options immediately before the change; • Notice must be sent at least 30 days and no more than 60 days before the effective date of the change, explaining how the account will be invested in the absence of affirmative directions and including information comparing the new and existing options; • The participant must not have provided affirmative investment instructions contrary to the change before the effective date of such change; and The investments of the participant or beneficiary in effect immediately before the change must have been the product of the exercise of control by the participant or beneficiary.

	Current Law	**H.R. 4, the Pension Protection Act**
Annuities in DC Plans	The selection of an annuity provider for purposes of making a distribution is a fiduciary act subject to ERISA's prudence and loyalty standards. The DOL has taken the position that, in selecting an annuity provider for a plan termination, a plan fiduciary must take steps to obtain the safest available annuity, unless it would be in the interest of participants and beneficiaries to do otherwise. DOL has also described a number of factors that a plan fiduciary should consider in evaluating potential annuity providers in order to discharge his prudence obligations under ERISA. DOL has taken the position that these principles are equally applicable to both defined benefit and defined contribution plans.	The DOL is directed to issue final regulations within 1 year after the date of enactment clarifying that the selection of an annuity contract as an optional form of distribution from an individual account plan is not subject to the "safest available annuity" standard articulated in Interpretive Bulletin 95-1, but is subject to otherwise applicable fiduciary standards (e.g., "prudence").

IRA-RELATED AMENDMENTS

	Current Law	H.R. 4, the Pension Protection Act
Indexing Income Limitations	If an individual (or his or her spouse) is an active participant in an employer-provided retirement plan, the deduction for traditional IRA contributions is phased out based on adjusted gross income ("AGI") levels. Special AGI levels apply if the individual is not an active participant in an employer-provided plan, but his or her spouse is an active participant. Individuals with an AGI above certain levels cannot contribute to a Roth IRA.	Beginning in 2007, the AGI limits for making (i) deductible contributions to a traditional IRA, and (ii) contributions to a Roth IRA, are indexed for inflation (rounded to the nearest $1,000).
Direct Deposit of Tax Refunds	Generally, taxpayers may directly deposit their tax refund into a checking or savings account.	Beginning in 2007, Treasury is directed to permit taxpayers to directly deposit their tax refund into an IRA, subject to the current law contribution limits.
IRA Distributions for Charitable Purposes	In general, amounts distributed from an IRA are taxed as ordinary income. Charitable contributions are generally deductible, subject to special rules relating to the type of charitable contribution.	Generally, IRA owners who are age 70-1/2 or over may make tax-free IRA distributions (capped at $100,000) to a tax-exempt charity.
Additional IRA Contribut-ions for Certain Employees	The maximum contribution limit for traditional IRAs is $4,000 for 2005 to 2007, $5,000 for 2008, and indexed for inflation in $500 increments thereafter. Individuals age 50 or older may make a catch-up contribution of up to $500 for 2005 and up to $1,000 for 2006 and thereafter. The IRA catch-up limit is not indexed for inflation.	In general, certain 401(k) participants receiving at least a 50 percent matching contribution in the form of employer stock from an employer that (i) declared bankruptcy and (ii) is subject to indictment or conviction (along with or any other person) from business transactions related to the bankruptcy may make IRA catch-up contributions of up to $3,000 per year for 2007 through 2009.

GOVERNMENTAL AND TAX-EXEMPT EMPLOYER PLANS

	Current Law	**H.R. 4, the Pension Protection Act**
Tax-Free Pension Distributions to Pay Premiums for Health and LTC Insurance for Public Safety Officers	Distributions from a governmental qualified retirement plan, 403(b) annuity or 457(b) plan are generally includible in income when paid. Premium payments for coverage under an accident or health insurance plan or qualified long-term care insurance contract are generally made on an after-tax basis, but may be deductible on an individual's return if certain requirements are met.	Beginning in 2007, retired or disabled public safety officers (i.e., law enforcement officers, firefighters, or rescue squad or ambulance crew) may exclude up to $3,000 of distributions from a governmental qualified retirement plan, 403(b) annuity, or 457(b) plan for the direct payment of premiums for coverage for the public safety officer, his or her spouse, and his or her dependents under an accident or health insurance plan or qualified long-term care insurance contract.
Purchase of Permissive Service Credit	Generally, participants of state and local government defined benefit plans may be credited with "permissive service credit" (i.e., service not otherwise credited under the plan) if the participant voluntarily contributes an amount necessary to fund the benefit attributable to the credited service. Special rules apply under section 415 to the contributions or benefits associated with such service credit. Amounts from a 403(b) or 457 plan may generally be used to purchase permissive service credit if certain requirements are met.	The purchase of service credit and transfer rules enacted in 1997 and 2001 are amended to clarify that state and local governmental employees may purchase enhanced benefits and benefits for which there is no performance of actual service, including through amounts transferred from 403(b) or governmental 457(b) plans. With respect to distributions of amounts attributable to transfers of 403(b) and 457(b) plan assets, the distribution rules applicable to defined benefit plans apply.
Waiver of the 10 Percent Penalty on Certain Distribut-ions	In general, a 10-percent early withdrawal penalty tax is applied to amounts distributed from a qualified retirement plan prior to separation from service after age 55, the attainment of age 59-1/2, death, or disability.	Effective upon the date of enactment, the 10-percent early withdrawal penalty tax would not apply to distributions from a governmental defined benefit pension plan made to a public safety employee (i.e., a police officer, fire fighter, or emergency medical services employee) after separation from service after the attainment of age 50.

	Current Law	**H.R. 4, the Pension Protection Act**
Incentive and Retention Plans for Educational Institutions	Generally, any amounts deferred under a governmental 457(b) plan (and any income attributable to such amounts) are not taxed until such amounts are actually "paid to" the participant or beneficiary. In general, welfare benefit plans escape many of ERISA's regulatory requirements. Generally, voluntary early retirement incentive plans are permitted under ADEA so long as the plan prohibits arbitrary age discrimination in employment.	Certain voluntary early retirement incentive plans of local educational agencies (e.g., a public board of education) or section 501(c)(5) or (6) education associations (e.g., teachers' unions) will be treated as bona fide severance plans for purposes of (i) Code section 457 (and therefore not subject to the section 457 limits), (ii) welfare benefit plans under ERISA (and therefore exempt from some of ERISA's requirements), and (iii) defined benefit plans exempt from ADEA (and therefore not limited by ADEA). In addition, certain payments not in excess of 2 times the section 457(b) deferral limit under an employment retention plan of a local educational agency or section 501(c)(5) or (6) education association are not includible in income until paid. Such employment retention plans are also treated as welfare benefit plans under ERISA. These provisions are generally effective upon enactment.
Clarification-ion of the Minimum Distribution Rules	A participant in a qualified plan (including governmental plans) must begin receiving distributions by the April 1 of the calendar year following the calendar year in which the individual attains age 70-1/2 or the calendar year in which he or she retires. IRS rules limit permissible distribution options, e.g., to satisfy the general rule that minimum distributions be "nonincreasing."	Treasury would be directed to issue regulations under which a governmental plan is treated as complying with the minimum distribution rules (retroactive to effective date of the requirements) if it complies with a reasonable, good faith interpretation of those requirements.
Nondiscrim-ination Rules	In general, only state and local government plans are exempt from the nondiscrimination rules under the Code.	Effective after the date of enactment, all governmental plans (not just state and local plans) would be exempt from the nondiscrimination and minimum participation rules.
Indian Tribal Government Plans	In general, a governmental plan is a plan established and maintained for its employees by (i) the Federal government, (ii) state and local governments, and (iii) any agency or instrumentality of such governments.	The term "governmental plan" includes a defined benefit plan established or maintained by an Indian tribal government for its employees performing governmental functions and not commercial activities.

CHURCH PLANS

	Current Law	H.R. 4, the Pension Protection Act
Self-Annuitizing Church Plan	Under current regulations, if certain requirements are satisfied, annuity payments from a "retirement income account" maintained by a church will generally meet the minimum required distribution rules, even though such payments are not made by an insurance company (i.e., the church self-annuitizes).	In the case of a money purchase plan maintained by a church as of April 17, 2002, annuity payments made by the church plan will not fail to meet the required minimum distribution rules so long as the requirements applicable to annuity payments from a retirement income account are satisfied.
Debt-Financed Property Exception	In general, a Code section 401(a) qualified retirement plan is not subject to unrelated business income tax ("UBIT") if the plan realizes income from debt-financed real property if certain requirements are met (Code sec. 514(c)(9)).	Effective upon the date of enactment, this exemption is extended to a "retirement income account" maintained by a church.
Distribution Limits for Church Plans	Generally, accrued benefits under a defined benefit plan are limited to the lesser of (i) $175,000 for 2006 (indexed for inflation) or (ii) 100 percent of the participant's compensation for the highest 3 years.	In general, beginning in 2007, the 100 percent of compensation limitation would no longer apply to benefits of non-highly compensated employees ("NHCEs") covered under a church plan. For this purpose, benefits include, in the case of a highly compensated employee ("HCE"), all benefits accrued prior to becoming an HCE.

CORPORATE OWNED LIFE INSURANCE AND OTHER INSURANCE PROGRAMS

	Current Law	H.R. 4, the Pension Protection Act
Taxation of Corporate Owned Life Insurance	In general, corporate owned life insurance ("COLI") is a life insurance policy purchased by the employer on the lives of its employees. The employer is the policy's owner and beneficiary. All policy proceeds paid upon the death of the employee are intended to be received by the company tax-free.	Generally, proceeds paid under COLI policy are not taxable if certain notice and consent requirements are satisfied and if (i) the insured was an employee within 12 months of death, (ii) the insured is a "highly compensated employee" under Code section 414(q) (without regard to the top-paid group rules) or a "highly compensated individual" under Code section 105(h)(5) with a salary in the top 35 percent of employees, including any director, or (iii) the benefits are payable to the individual's family, designated beneficiary (other than the employer), a trust for the benefit of such persons, or the individual's estate, or are used to purchase an equity interest in the employer from any of such persons. Under the notice and consent requirements, the employee, prior to the issuance of the contract, must (i) be notified in writing of the coverage and the maximum face amount for which the employee could be insured at issuance, (ii) be informed in writing that the employer will be the beneficiary of any death benefits under the policy, and (iii) provide written consent to being insured and to the coverage continuing after the employee's termination of employment. In addition, employers maintaining COLI programs would be subject to annual reporting and recordkeeping requirements. These provisions would apply to contracts issued after the date of enactment, excluding contracts issued pursuant to a Code section 1035 exchange. Material increases in the death benefit or other material changes in a grandfathered contract may be treated as a new contract.

	Current Law	H.R. 4, the Pension Protection Act
Combined Annuity and Life Insurance Contracts with Long-Term Care Insurance	The treatment of long-term care riders under life insurance and annuity contracts is unclear in a number of areas, some of which my affect the tax status of the underlying contract and exchanges of contracts.	Generally, any charge against the cash value of an annuity contract or the cash surrender value of a life insurance contract which is used to pay for qualified long-term care insurance is excludible from income so long as the long-term care insurance coverage is part of or a rider on the annuity or life insurance contract. Any person (or entity) making such charge is required to report (i) the amount of such charges against each contract for the year, (ii) the amount of the reduction in the investment in the contract, and (iii) information relating to the holder of the contract. Those individuals identified in the report must generally receive information in the report. Penalties apply for failure to report such information and to furnish such information to the identified parties. Qualified long-term care insurance would be treated as a separate contract for income tax purposes (sec. 72). Premium payments made with such charges are not eligible for the itemized medical expense deduction. No gain or loss is recognized on the exchange of a life insurance contract, an endowment contract, an annuity, or a qualified long-term care insurance contract for a qualified long-term care insurance contract (i.e., the tax-free exchanges of such contracts are permitted). For purposes of tax-free exchanges, a contract will continue to be considered an annuity or life insurance contract even though a qualified long-term care insurance contract is part of or a rider on such contract. Beginning in 2010, the guideline premium limitation is not increased by charges against the contract's cash surrender value for coverage under the qualified long-term care insurance contract. Instead, for purposes of the limitation, the charges reduce premiums paid under the contract.

	Current Law	H.R. 4, the Pension Protection Act
		The specified policy acquisition expenses that must be capitalized is determined using 7.7 percent of the net premiums for the taxable year on the annuity or life insurance contracts with a long-term care insurance rider.

MISCELLANEOUS

	Current Law	H.R. 4, the Pension Protection Act
DB/K Plan	Under current law, a defined contribution and defined benefit plan must be separate. Separate rules unique to a defined benefit and defined contribution must be satisfied by each respective type of plan.	Provides for a new type of hybrid plan (generally effective in 2010), which is the combination of a defined benefit plan and a 401(k) plan (the "DB/K Plan"). The defined benefit portion of the plan must provide a minimum benefit of 1 percent of final average compensation per year of service up to 20 years, without regard to whether the participant makes a contribution under the 401(k) portion of the plan. Benefits under the defined benefit portion of the plan must be fully vested within 3 years. The defined benefit portion of the plan is not subject to the top heavy rules. The 401(k) portion of the plan must provide for automatic enrollment at a rate of at least 4 percent of compensation and a matching fully-vested contribution equal to at least 50 percent of the employee's contribution up to 4 percent of compensation. The nondiscrimination rules for 401(k) plans will be deemed to be satisfied for these amounts. Contributions to the 401(k) plan (either higher matching contributions or after-tax contributions) and defined benefit accruals higher than the minimum benefit are permitted, subject to the applicable nondiscrimination rules.
EPCRS	The IRS Employee Plans Correction Resolution System ("EPCRS") allows the sponsor of a qualified plan, a 403(a) or 403(b) plan, or a SEP or a SIMPLE IRA (and on a provisional basis, 457(b) governmental plans) to voluntarily correct failures that may result in adverse tax consequences through various correction programs, including the Self-Correction Program ("SCP") or the Voluntary Correction Program ("VCP").	Clarifies that the IRS has the authority to (i) continuously update and improve EPCRS, giving special consideration to issues relating to small employers and significant and insignificant failures under the SCP, and (ii) to waive income, excise, or other taxes to ensure that such penalties bear a reasonable relationship to the failure.

	Current Law	H.R. 4, the Pension Protection Act
Clarification of the QDRO Rules	Generally, benefits provided under a qualified retirement plan may not be assigned or alienated. However, benefits may be assigned to a former spouse (or other alternate payee) pursuant to a qualified domestic relations order ("QDRO"). Special rules govern whether a domestic relations order is qualified.	The DOL is directed to issue, within 1 year after the date of enactment, regulations clarifying the status of certain domestic relations orders, including that a domestic relations order will not fail to be a QDRO solely because it is issued after or modifies a previous domestic relations order or QDRO, or because of the time at which it is issued.
Reporting Simplificat-ion	Plan administrators are required to annually file a Form 5500 with the DOL providing plan-specific information. In general, one-participant plans with plan assets of $100,000 are exempt from filing and plans with 100 or fewer participants are subject to simplified reporting.	Treasury and the DOL are directed to (i) simplify the Form 5500 annual reporting rules for plans with fewer than 25 employees (effective upon the date of enactment) and (ii) exempt one-participant plans with less than $250,000 in assets from filing a Form 5500 (beginning on or after January 1, 2007).
Plan Amendments	In general, unless IRS prescribes otherwise, discretionary plan amendments must be made by the end of the plan year, and required amendments by the end of the tax filing deadline for the plan year for which they are first effective.	In general, plans must be amended on or before the last day of the first plan year beginning on or after January 1, 2009 to effectuate the changes made by H.R. 4 (or as required to implement applicable IRS regulations). Governmental plans have until 2011.