

COMPARISON OF MAJOR PROVISIONS IN BIPARTISAN RETIREMENT SAVINGS LEGISLATION¹

Issue	Current Law	H.R. 10 (Portman/Cardin)	S. 742 (Grassley/Baucus)																																																			
IRA MODIFICATIONS																																																						
IRA Contribution Limits	The maximum annual contribution permitted to IRAs is generally the lesser of \$2,000 or 100% of the individual's compensation. The maximum IRA contribution has been set at \$2,000 since 1981.	The IRA contribution limit would be increased to \$3,000 for 2002, \$4,000 for 2003, and \$5,000 for 2004. Thereafter, the limit would be indexed for inflation annually (in \$500 increments).	Same as the House bill.																																																			
Catch-Up Contributions	Once an individual has missed the opportunity to make an IRA contribution for a given year, the individual has no opportunity to "catch-up" in later years.	Individuals age 50 and over would be permitted to contribute up to \$5,000 to an IRA in 2002 and 2003, <i>i.e.</i> , no phase-in would apply to these individuals. In effect, the catch-up contributions would be as follows: <table style="margin-left: auto; margin-right: auto; border: none;"> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Catch-Up</u></td> </tr> <tr> <td style="text-align: center;">2002</td> <td style="text-align: center;">\$2,000</td> </tr> <tr> <td style="text-align: center;">2003</td> <td style="text-align: center;">\$1,000</td> </tr> <tr> <td style="text-align: center;">2004+</td> <td style="text-align: center;">\$0</td> </tr> </table>	<u>Year</u>	<u>Catch-Up</u>	2002	\$2,000	2003	\$1,000	2004+	\$0	For individuals age 50 and over, the otherwise maximum annual contribution limit would be increased by 50 percent. In effect, the catch-up would be as follows: <table style="margin-left: auto; margin-right: auto; border: none;"> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Catch-Up</u></td> </tr> <tr> <td style="text-align: center;">2002</td> <td style="text-align: center;">\$1,500</td> </tr> <tr> <td style="text-align: center;">2003</td> <td style="text-align: center;">\$2,000</td> </tr> <tr> <td style="text-align: center;">2004+</td> <td style="text-align: center;">\$2,500 (indexed)</td> </tr> </table>	<u>Year</u>	<u>Catch-Up</u>	2002	\$1,500	2003	\$2,000	2004+	\$2,500 (indexed)																																			
<u>Year</u>	<u>Catch-Up</u>																																																					
2002	\$2,000																																																					
2003	\$1,000																																																					
2004+	\$0																																																					
<u>Year</u>	<u>Catch-Up</u>																																																					
2002	\$1,500																																																					
2003	\$2,000																																																					
2004+	\$2,500 (indexed)																																																					
Increase in AGI Limits for Deductible IRA Contributions	Fully deductible IRA contributions are generally allowed only if: (1) the individual is not an active participant in an employment-based retirement plan or (2) the individual has adjusted gross income (AGI) below the following levels: <table style="margin-left: auto; margin-right: auto; border: none;"> <tr> <td></td> <td colspan="2" style="text-align: center;"><u>Deduction Phase-out Begin</u></td> </tr> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Single</u></td> <td style="text-align: center;"><u>Joint</u></td> </tr> <tr> <td style="text-align: center;">2002</td> <td style="text-align: center;">\$34,000</td> <td style="text-align: center;">\$54,000</td> </tr> <tr> <td style="text-align: center;">2003</td> <td style="text-align: center;">\$40,000</td> <td style="text-align: center;">\$60,000</td> </tr> <tr> <td style="text-align: center;">2004</td> <td style="text-align: center;">\$45,000</td> <td style="text-align: center;">\$65,000</td> </tr> <tr> <td style="text-align: center;">2005</td> <td style="text-align: center;">\$50,000</td> <td style="text-align: center;">\$70,000</td> </tr> <tr> <td style="text-align: center;">2006</td> <td style="text-align: center;">Indexed</td> <td style="text-align: center;">\$75,000</td> </tr> <tr> <td style="text-align: center;">2007+</td> <td style="text-align: center;">Indexed</td> <td style="text-align: center;">\$80,000</td> </tr> </table>		<u>Deduction Phase-out Begin</u>		<u>Year</u>	<u>Single</u>	<u>Joint</u>	2002	\$34,000	\$54,000	2003	\$40,000	\$60,000	2004	\$45,000	\$65,000	2005	\$50,000	\$70,000	2006	Indexed	\$75,000	2007+	Indexed	\$80,000	No provision.	The increases in AGI phase-out limits for active participants would be modified as follows: <table style="margin-left: auto; margin-right: auto; border: none;"> <tr> <td></td> <td colspan="2" style="text-align: center;"><u>Deduction Phase-out Begin</u></td> </tr> <tr> <td style="text-align: center;"><u>Year</u></td> <td style="text-align: center;"><u>Single*</u></td> <td style="text-align: center;"><u>Joint</u></td> </tr> <tr> <td style="text-align: center;">2002</td> <td style="text-align: center;">\$36,000</td> <td style="text-align: center;">\$56,000</td> </tr> <tr> <td style="text-align: center;">2003</td> <td style="text-align: center;">\$40,000</td> <td style="text-align: center;">\$60,000</td> </tr> <tr> <td style="text-align: center;">2004</td> <td style="text-align: center;">\$44,000</td> <td style="text-align: center;">\$64,000</td> </tr> <tr> <td style="text-align: center;">2005</td> <td style="text-align: center;">\$48,000</td> <td style="text-align: center;">\$68,000</td> </tr> <tr> <td style="text-align: center;">2006</td> <td style="text-align: center;">\$50,000</td> <td style="text-align: center;">\$72,000</td> </tr> <tr> <td style="text-align: center;">2007</td> <td style="text-align: center;">Indexed</td> <td style="text-align: center;">\$76,000</td> </tr> <tr> <td style="text-align: center;">2008+</td> <td style="text-align: center;">Indexed</td> <td style="text-align: center;">\$80,000</td> </tr> </table> <p>*The phase out for married filing separately would be conformed to that of single returns.</p>		<u>Deduction Phase-out Begin</u>		<u>Year</u>	<u>Single*</u>	<u>Joint</u>	2002	\$36,000	\$56,000	2003	\$40,000	\$60,000	2004	\$44,000	\$64,000	2005	\$48,000	\$68,000	2006	\$50,000	\$72,000	2007	Indexed	\$76,000	2008+	Indexed	\$80,000
	<u>Deduction Phase-out Begin</u>																																																					
<u>Year</u>	<u>Single</u>	<u>Joint</u>																																																				
2002	\$34,000	\$54,000																																																				
2003	\$40,000	\$60,000																																																				
2004	\$45,000	\$65,000																																																				
2005	\$50,000	\$70,000																																																				
2006	Indexed	\$75,000																																																				
2007+	Indexed	\$80,000																																																				
	<u>Deduction Phase-out Begin</u>																																																					
<u>Year</u>	<u>Single*</u>	<u>Joint</u>																																																				
2002	\$36,000	\$56,000																																																				
2003	\$40,000	\$60,000																																																				
2004	\$44,000	\$64,000																																																				
2005	\$48,000	\$68,000																																																				
2006	\$50,000	\$72,000																																																				
2007	Indexed	\$76,000																																																				
2008+	Indexed	\$80,000																																																				

¹ H.R. 10 introduced on March 14, 2001 by Representatives Portman and Cardin with 259 co-sponsors, including a majority of both Republicans and Democrats. Described provisions were reported by the House Ways and Means and Education and Workforce Committees on April 25 & 26, 2001, respectively. S. 742 was introduced on April 6, 2001 by Senate Finance Committee Chairman Charles Grassley and Ranking Member Max Baucus with a bipartisan group of 20 co-sponsors.

Issue	Current Law	H.R. 10 (Portman/Cardin)	S. 742 (Grassley/Baucus)												
Elimination of Marriage Penalty for Roth IRAs	Eligibility to contribute to a Roth IRA is phased-out for single filers with AGI between \$95,000-\$110,000 and joint filers with AGI between \$150,000-\$160,000. Taxpayers with AGI over \$100,000 (regardless of filing status) or who are married filing separately may not engage in an IRA to Roth IRA conversion.	No provision.	The marriage penalties for eligibility to contribute to a Roth IRA and for eligibility for IRA to Roth IRA conversions would be eliminated.												
Tax-Free Withdrawals for Charitable Purposes	An individual who withdraws amounts from his or her IRA for charitable purposes may not be able to deduct the entire charitable contribution because of limits on the percentage of income that can be deducted.	No provision.	IRA withdrawals made directly to a charity or certain charitable trusts would generally be excluded from gross income for those over age 70½.												
LIMITS ON RETIREMENT PLAN CONTRIBUTIONS AND BENEFITS															
Defined Contribution Plan Limit (Section 415(c))	Section 415(c) currently limits maximum annual contributions to defined contribution plans on behalf of an individual to the lesser of 25% of compensation or \$35,000. The \$35,000 limit is indexed for inflation in \$5,000 increments. In 1982, the limit of section 415(c) was \$45,475.	The \$35,000 dollar limit in section 415(c) would be increased to \$40,000 beginning in 2002. Future indexing of this limit would be in \$1,000 increments. [The 25% of compensation limit is modified as described below.]	The \$35,000 dollar limit would not be increased, but future indexing would be in \$1,000 increments. [The 25% of compensation limit is modified as described below.]												
Maximum Salary Reduction Contribution (Section 402(g))	Section 402(g) limits elective deferrals under most salary reduction plans, (e.g., section 401(k) plans and section 403(b) arrangements) to \$10,500 (in 2001). Prior to the 1986 Act, there was no special limit on elective deferrals.	The limit on elective deferrals would be increased to \$15,000 as follows: <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Year</u></th> <th style="text-align: left;"><u>Limit</u></th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>\$11,000</td> </tr> <tr> <td>2003</td> <td>\$12,000</td> </tr> <tr> <td>2004</td> <td>\$13,000</td> </tr> <tr> <td>2005</td> <td>\$14,000</td> </tr> <tr> <td>2006</td> <td>\$15,000 (indexed)</td> </tr> </tbody> </table>	<u>Year</u>	<u>Limit</u>	2002	\$11,000	2003	\$12,000	2004	\$13,000	2005	\$14,000	2006	\$15,000 (indexed)	Same as House bill.
<u>Year</u>	<u>Limit</u>														
2002	\$11,000														
2003	\$12,000														
2004	\$13,000														
2005	\$14,000														
2006	\$15,000 (indexed)														
Defined Benefit Plan Limit (Section 415(b))	Maximum annual benefits under a defined benefit plan are limited to the lesser of 100% of three-year-high-average pay or \$140,000 (in 2001). In 1982, the dollar limit of section 415(b) was \$136,425. Actuarial reduction of the limit is required if benefits start prior to Social Security normal retirement age.	The \$135,000 dollar limit in section 415(b) would be increased to \$160,000 beginning in 2002. Actuarial reduction of the section 415(b) dollar limit would be required only for benefit commencement prior to age 62.	Generally same as House bill.												

Issue	Current Law	H.R. 10 (Portman/Cardin)	S. 742 (Grassley/Baucus)												
Section 457(b) Plan Contribution Limit	The dollar limit on contributions under eligible deferred compensation plans under section 457(b) is generally \$8,500 in 2001. In 1979, the limit on deferred compensation plans was set at \$7,500.	The limit on elective deferrals to plans governed by section 457(b) would be increased as follows: <table data-bbox="947 272 1262 472"> <thead> <tr> <th><u>Year</u></th> <th><u>Limit</u></th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>\$11,000</td> </tr> <tr> <td>2003</td> <td>\$12,000</td> </tr> <tr> <td>2004</td> <td>\$13,000</td> </tr> <tr> <td>2005</td> <td>\$14,000</td> </tr> <tr> <td>2006</td> <td>\$15,000 (indexed)</td> </tr> </tbody> </table>	<u>Year</u>	<u>Limit</u>	2002	\$11,000	2003	\$12,000	2004	\$13,000	2005	\$14,000	2006	\$15,000 (indexed)	Same as House bill.
<u>Year</u>	<u>Limit</u>														
2002	\$11,000														
2003	\$12,000														
2004	\$13,000														
2005	\$14,000														
2006	\$15,000 (indexed)														
SIMPLE Plan Contribution Limit (Section 408(p))	Maximum elective deferrals to SIMPLE retirement plans are limited to \$6,500 per year (in 2001), indexed for inflation in \$500 increments.	The limit on elective deferrals to SIMPLE plans would be increased as follows: <table data-bbox="947 565 1262 732"> <thead> <tr> <th><u>Year</u></th> <th><u>Limit</u></th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>\$7,000</td> </tr> <tr> <td>2003</td> <td>\$8,000</td> </tr> <tr> <td>2004</td> <td>\$9,000</td> </tr> <tr> <td>2005</td> <td>\$10,000 (indexed)</td> </tr> </tbody> </table>	<u>Year</u>	<u>Limit</u>	2002	\$7,000	2003	\$8,000	2004	\$9,000	2005	\$10,000 (indexed)	Same as the House bill.		
<u>Year</u>	<u>Limit</u>														
2002	\$7,000														
2003	\$8,000														
2004	\$9,000														
2005	\$10,000 (indexed)														
Compensation Taken Into Account (Section 401(a)(17))	Compensation that may be taken into account in determining benefits under qualified plans is limited to \$170,000 (in 2001), indexed in \$10,000 increments. In 1993, the limit was \$235,840.	The section 401(a)(17) compensation limit would be increased to \$200,000 beginning in 2002 (with future indexing in \$5,000 increments).	Same as House bill.												
ENHANCING FAIRNESS FOR WOMEN															
Additional Salary Reduction Catch-up Contributions	The Code imposes annual limits on the maximum amount that can be contributed by an employee to a section 401(k) plan, a section 403(b) arrangement, a SIMPLE plan, and certain other salary reduction arrangements. With certain limited exceptions, once an individual has missed the opportunity to make a contribution for a given year, the individual has no opportunity to “catch-up” in later years.	Individuals age 50 or older would be allowed to make an additional, annual \$5,000 “catch-up” contribution to salary reduction arrangements beginning in 2002. Such catch-up contributions would not be subject to any other contribution limits (e.g., 402(g), 415), but would be subject to the applicable nondiscrimination rules.	Individuals age 50 or older would be allowed to make catch-up contributions to salary reduction arrangements of up to 50% (when phased-in) of the otherwise applicable contribution limit for the plan beginning in 2002. For example, a catch-up of \$1,100 to a section 401(k) plan would be allowed in 2002, \$2,400 in 2003, \$3,900 in 2004, \$5,600 in 2005, and \$7,500 in 2006. Such catch-up contributions would not be subject to any other contribution limits and would not be subject to nondiscrimination rules.												

Issue	Current Law	H.R. 10 (Portman/Cardin)	S. 742 (Grassley/Baucus)												
Increase Percentage of Salary Limitations	Total annual additions to defined contribution plans for any employee is generally limited to the lesser of \$30,000 or 25% of compensation. Generally, for section 457(b) plans, total annual contributions are limited to 33 a % of compensation. Section 403(b) arrangements are also subject to a set of complex maximum exclusion allowance (MEA) rules.	The 25% of compensation limitation would be increased to 100%. The 33 a % of compensation limit of section 457(b) would be increased to 100% of compensation. The MEA rules would be repealed.	Same as House bill.												
Faster Vesting of Employer Matching Contributions	Employer contributions to most retirement plans either must be fully vested after the employee has completed five years of service, or must become vested in increments of 20% for each year beginning with the employee's third year of service, with full vesting after the employee has completed seven years of service.	Employer matching contributions would be required either to be fully vested after an employee has completed three years of service or to become vested in increments of 20% for each year beginning with the employee's second year of service, with full vesting after the employee has completed six years of service.	Same as House bill.												
OTHER PROPOSALS INTENDED TO EXPAND COVERAGE AND BENEFITS GENERALLY															
Credit for Low- and Middle-Income Savers	No provision.	No provision.	<p>A targeted non-refundable tax credit would be provided to low- and moderate-income savers who make salary reduction contributions to eligible retirement savings plans (e.g., 401(k), 403(b), 457(b), or IRAs). The credit would be claimed on the individual's tax return, and would apply to the first \$2,000 in savings contributions. The amount of the credit would generally be based on the following AGI schedule:</p> <table border="1" data-bbox="1419 1117 1988 1258"> <thead> <tr> <th data-bbox="1419 1117 1522 1149">Credit</th> <th data-bbox="1526 1117 1753 1149">Individual</th> <th data-bbox="1757 1117 1988 1149">Joint</th> </tr> </thead> <tbody> <tr> <td data-bbox="1419 1151 1522 1183">50%</td> <td data-bbox="1526 1151 1753 1183">\$0-\$15,000</td> <td data-bbox="1757 1151 1988 1183">\$0-\$30,000</td> </tr> <tr> <td data-bbox="1419 1185 1522 1218">20%</td> <td data-bbox="1526 1185 1753 1218">\$15,001-\$16,250</td> <td data-bbox="1757 1185 1988 1218">\$30,001-\$32,500</td> </tr> <tr> <td data-bbox="1419 1219 1522 1252">10%</td> <td data-bbox="1526 1219 1753 1252">\$16,251-\$25,000</td> <td data-bbox="1757 1219 1988 1252">\$32,501-\$50,000</td> </tr> </tbody> </table> <p>Contributions to eligible retirement savings plans would continue to be deductible or excludable from income as under current law. If a potential credit recipient (or such person's</p>	Credit	Individual	Joint	50%	\$0-\$15,000	\$0-\$30,000	20%	\$15,001-\$16,250	\$30,001-\$32,500	10%	\$16,251-\$25,000	\$32,501-\$50,000
Credit	Individual	Joint													
50%	\$0-\$15,000	\$0-\$30,000													
20%	\$15,001-\$16,250	\$30,001-\$32,500													
10%	\$16,251-\$25,000	\$32,501-\$50,000													

Issue	Current Law	H.R. 10 (Portman/Cardin)	S. 742 (Grassley/Baucus)
			spouse) receives a pre-retirement distribution in any year, the ability to receive a government match in that year or in the two subsequent years will be reduced by the amount of the distribution.
PROPOSALS TARGETED PRIMARILY AT SMALL BUSINESSES			
Top-Heavy Rules	Section 416 establishes complicated testing rules for determining whether or not a plan is top-heavy (e.g, whether “key employees” are deemed to be receiving an excessive proportion of the plan benefits). Top-heavy plans are required to satisfy a special vesting schedule and make minimum contributions or accruals for “non-key” employees. Plans which are “super top-heavy” must make additional minimum contributions or accruals and are subject to a lower aggregate limitation under section 415(e).	The top heavy rules would be simplified in a variety of ways. For example, the following changes would be made: <ul style="list-style-type: none"> •Family aggregation rules would be modified for purposes of determining key employees. •Key employee definition would be modified. •Matching contributions would count towards satisfying minimum contribution requirements. •Look-back rules would be shortened. •Plans meeting the section 401(k); and section 401(m) design-based discrimination testing safe harbors would not be top-heavy. 	Similar to House bill, except that (1) family aggregation changes would not be made; (2) key employee definition changes would be more limited; and (3) safe harbor plans would not receive relief from the top-heavy rules.
Small Business Tax Credit for Contributions and Administrative Expenses in Connection with New Retirement Plans	No provision.	No provision.	Certain small employers would be able to claim two, new non-refundable tax credits in connection with sponsoring a retirement plan. The first credit would equal 50 percent of certain employer contributions made to 401(a) employment-based retirement plans (but not SEPs and SIMPLE plans) on behalf of non-highly compensated employees. The second credit would apply to 50 percent of the first \$1,000 in administrative and retirement-education expenses for three years after establishing a defined contribution, defined benefit, SIMPLE, or SEP retirement plan. No deduction would be allowed for the amount claimed as a credit.

Issue	Current Law	H.R. 10 (Portman/Cardin)	S. 742 (Grassley/Baucus)
INCREASING PORTABILITY FOR PARTICIPANTS			
Rollovers Among Various Types of Employment-Based Retirement Plans	Amounts in a section 401(a) plan or section 403(b) arrangement generally may only be rolled over to the same type of plan or arrangement or to an IRA. Amounts in section 457(b) plans may only be transferred from one section 457(b) plan to another section 457(b) plan.	Amounts in section 401(a) plans or section 403(b) arrangements generally could be rolled over to another section 401 plan, a section 403(b) arrangement, a section 457(b) plan maintained by a state or local government, or an IRA. Amounts in section 457(b) plans maintained by a state or local government could be rolled over to the same broad array of plans and IRAs.	Same as House bill.
Rollovers of After-Tax Contributions	Employees are allowed to make after-tax contributions to 401(k) and other plans. They are not permitted to rollover distributions of those after-tax contributions into an IRA or another plan.	After-tax employee contributions could be rolled over to other plans and IRAs.	Same as House bill.
Rollovers From Contributory IRAs To Qualified Plans	Rollovers of amounts originally contributed directly into an IRA (“contributory IRAs”) into any type of employment-based plan generally are not allowed.	Contributory IRA amounts could be rolled over to a section 401(a) plan, a section 403(b) arrangement, a section 457(b) plan maintained by a state or local government, or another IRA.	Same as House bill.
“Same Desk Rule” Repeal	In some cases, 401(k) plan distributions are limited to separation from service with the employer. The term “separation from service” has been interpreted to not include a situation where the employee performs the same functions for a successor employer (the “same desk” rule). The same desk rule also applies to section 403(b) and 457(b) arrangements.	The “same desk rule” would be eliminated by replacing “separation from service” in section 401(k)(2)(B) with “severance from employment.” Conforming changes would be made for 403(b) arrangements and section 457(b) plans.	Same as House bill.
Purchase of Service Credit in Government Defined Benefit Plans	Under State law, employees of State and local governments often have the option of purchasing service credits in their State defined benefit pension plans. Employees cannot use money in section 403(b) arrangements or section 457(b) plans to purchase service credits.	State and local government employees would be able to use funds from their section 403(b) arrangements or section 457(b) plans to purchase service credits.	Same as House bill.

Issue	Current Law	H.R. 10 (Portman/Cardin)	S. 742 (Grassley/Baucus)
OTHER PROPOSALS STRENGTHENING PENSION SECURITY, EDUCATION AND ENFORCEMENT			
Repeal of Funding Limit	Contributions to a defined benefit plan are not deductible to the extent that plan assets exceed the lesser of (1) 160% (in 2001) of the plan's current liability, or (2) a limitation based on a reasonable projection of benefits. The 160% figure is scheduled be phased up to 170% by the year 2005.	The full funding limit would be 165% of current liability for plan years beginning in 2002, 170% in 2003, and repealed in 2004 and after.	Generally same as House bill except that the phase-up and repeal would be delayed one year.
Additional Disclosure Re: Significant Reduction in Benefit Accruals (Including Cash Balance Plan Conversions)	Under ERISA section 204(h), a defined benefit plan or a money purchase pension plan may not be amended in a manner that results in a significant reduction in the rate of future benefit accrual unless, after the adoption of the plan amendment (and not less than 15 days before the effective date of the plan amendment), the plan administrator provides a written notice to affected participants and alternate payees. The notice must either (1) specify the plan amendment and its effective date, or (2) contain a summary of the amendment and effective date, written in a manner calculated to be understood by the average plan participant and contains the effective date.	A pension plan with more than 100 participants would be required to provide participants with a written notice concerning a plan amendment that provides for a significant reduction in future benefit accruals under the plan. The notice would be required to describe the benefit reduction caused by the plan amendment in a manner calculated to be understood by the average plan participant, and generally would have to be provided within a reasonable time period prior to the effective date of the plan amendment. The penalty for failure to comply with the notice requirements would equal \$100 per day per omitted party with a maximum penalty of \$500,000 in any year (except in cases of willful neglect). The Secretary of the Treasury could waive this penalty if reasonable cause for failure is shown.	A defined benefit plan would be required to provide participants (and participant's alternate payees) a written notice 45 days prior to the effective date of a plan amendment that provides for a significant reduction in the rate of future benefit accrual, including any elimination or reduction of an early retirement benefit or retirement-type subsidy. The notice would include the following information: (1) the effective date of the amendment; (2) a statement that the amendment is expected to reduce the rate of future benefit accrual; (3) a description of the classes of employees expected to be affected by the reduction; (4) examples illustrating the plan changes for these classes of employees; (5) in the case of a "significant restructuring of the plan benefit formula", a notice that the plan administrator will provide a "benefit estimation tool kit" at least 15 days prior to the amendment effective date to help employees personalize illustrations; and (6) notice of each member's right to request an annual benefit statement. Failure to meet the new requirements would result in the imposition of an excise tax, as in the House bill.

Issue	Current Law	H.R. 10 (Portman/Cardin)	S. 742 (Grassley/Baucus)
Treatment of Multiemployer Plans Under Section 415	Under section 415(b), annual benefits payable under a defined benefit plan are limited to the lesser of \$140,000 (for 2001) or 100% of “three-year-high-average compensation.” A reduction in the dollar or percentage limit for defined benefit plans may be required if the employee has fewer than ten years of plan participation or service. Plans maintained by state & local governments are generally exempt from the 100% of compensation limit	The section 415(b) limits applicable to multiemployer plans would be modified to eliminate the 100% of compensation limit (but not the dollar limit) for such plans. With respect to aggregation of multiemployer plans with other plans, multiemployer plans would not be aggregated with single-employer defined benefit plans maintained by an employer contributing to the multiemployer plan for purposes of applying the 100 percent of compensation limit to such single-employer plan.	Similar to House bill.
Automatic Rollovers of Certain Mandatory Distributions	A plan may provide for the automatic distribution (“cash-out”) of certain vested accrued benefits that do not exceed \$5,000. The plan is not required to rollover such amounts to another retirement savings vehicle.	No provision.	A plan that provides “cash-outs” of vested accrued benefits would be required to directly transfer such distributions to an IRA or other qualified retirement vehicle unless the participant affirmatively elects to receive the distribution directly. The proposal would not apply to distributions of \$1,000 or less.
Other Provisions	A number of complex and often counter-intuitive rules apply to employment-based retirement plans.	Overly complex rules that inhibit creation and maintenance of employment-based retirement plans would be streamlined, improved, and simplified.	Generally, same as House bill.